

**PUBLIC SESSION AGENDA**  
**NORTH CAROLINA STATE BOARD OF CPA EXAMINERS**  
**SEPTEMBER 19, 2016**  
**10:00 A.M.**  
**1101 OBERLIN ROAD**  
**RALEIGH, NC**

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**I. Administrative Items**

A. Call to Order

*In accordance with the State Government Ethics Act, it is the duty of every Board member to avoid both conflicts of interest and appearances of conflict. Does any Board member have any known conflict of interest or appearance of conflict with respect to any matters coming before the Board today? If so, please identify the conflict or appearance of conflict and refrain from any undue participation in the particular matter involved.*

B. Welcome and Introduction of Guests

C. Approval of Agenda (**ACTION**)

D. Minutes (**ACTION**)

E. Financial/Budgetary Items

1. Financial Statements for August 2016 (**ACTION**)

**II. Legislative & Rule-Making Items**

A. Proposed Draft Rules for Rule-Making for 2016-2017 (**DISCUSSION**)

**III. National Organization Items**

A. NASBA Regional Directors' Focus Questions (**ACTION**)

B. Draft Response to Proposed Changes to the AICPA Standards For Performing and Reporting on Peer Reviews (**ACTION**)

**IV. State & Local Organization Items**

**V. Request for Declaratory Ruling**

**VI. Committee Reports**

A. Professional Standards (**ACTION**)

B. Professional Education and Applications (**ACTION**)

**VII. Public Comments**

**VIII. Closed Session**

**IX. Executive Staff and Legal Counsel Report**

A. Strategic Plan Update (**DISCUSSION**)

**X. Adjournment**

**PUBLIC SESSION MINUTES**  
**North Carolina State Board of CPA Examiners**  
**August 22, 2016**  
**1101 Oberlin Road**  
**Raleigh, NC 27605**

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**MEMBERS ATTENDING:** Michael H. Womble, CPA, President; Wm. Hunter Cook, CPA, Vice President; Jeffrey J. Truitt, Esq., Secretary-Treasurer; Murchison (Bo) Biggs, CPA; Cynthia B. Brown, CPA; Justin C. Burgess; and L. Samuel Williams, Jr., CPA.

**STAFF ATTENDING:** Robert N. Brooks, Executive Director; David R. Nance, CPA, Deputy Director; Frank Trainor, Esq., Staff Attorney; Lisa R. Hearne, Communications Manager; Jean Marie Small, Professional Standards Specialist; and Noel L. Allen, Esq., Legal Counsel.

**GUESTS:** Sharon Bryson, CEO, NCACPA; Amanda Davis, Director of Learning and Development, NCACPA; Lanier Cansler, CPA, NCACPA; Suzanne Jolicoeur, Senior Manager, State Regulation & Legislation, AICPA; and Officer J.A. Stokes, Raleigh Police Department.

**CALL TO ORDER:** President Womble called the meeting to order at 10:00 a.m.

**PUBLIC HEARING:** President Womble called the Public Hearing to order to hear Case No. 2015275 – Anthony Michael Luper. Mr. Luper was not present and was not represented by counsel at the Hearing. David R. Nance, CPA, Deputy Director, was sworn in and presented testimony. Messrs. Truitt and Cook moved to enter Closed Session to discuss the matter without Executive Staff or Staff Attorney present, but with Noel L. Allen, Esq., Legal Counsel, present. The Board re-entered the Public Hearing and Messrs. Truitt and Cook moved to revoke for two years the North Carolina CPA Certificate No. 20752 issued to Anthony Michael Luper (Appendix I). Motion passed with five (5) affirmative votes and two (2) negative votes. The entire Public Hearing is a matter of public record.

**PUBLIC HEARING:** President Womble called the Public Hearing to order to hear Case No. 2015270 – Deborah G. Jenkins. Ms. Jenkins was not present and was not represented by counsel at the hearing. David R. Nance, CPA, Deputy Director, sworn in and presented testimony. Messrs. Williams and Cook moved to enter Closed Session to discuss the matter without Executive Staff or Staff Attorney present, but with Noel L. Allen, Esq., Legal Counsel, present. The Board re-entered the Public Hearing and Messrs. Williams and Biggs moved to censure Ms. Jenkins and in the event she chooses to reinstate North Carolina CPA Certificate No. 20011, she must first pay a one thousand dollar (\$1,000.00) civil monetary penalty (Appendix II). Motion passed

with seven (7) affirmative votes and zero (0) negative votes. The entire Public Hearing is a matter of public record.

**MINUTES:** The minutes of the July 25, 2016, meeting were approved as submitted.

**FINANCIAL AND BUDGETARY ITEMS:** The July 2016 financial statements were accepted as submitted.

**RESOLUTION:** President Womble reading a Resolution thanking George W. Rohe, CPA, for his service to the Board and the citizens of North Carolina. Messrs. Truitt and Williams moved and the Board approved the Resolution (Appendix III). The Board resolution and a plaque will be presented to Mr. Rohe at a later time.

**LEGISLATIVE AND RULE-MAKING ITEMS:** The Board reviewed and discussed the draft rules presented by the Executive Staff. The Board instructed the Executive Staff to rewrite 21 NCAC 08N .0208 .0305 as discussed and bring the re-written rules back to the Board for review along with a revised rule-making schedule.

**STATE AND LOCAL ORGANIZATION ITEMS:** The evaluation of the Statement of Economic Interest filed by L. Samuel Williams, Jr., CPA, is recorded (Appendix IV) in the Minutes of this meeting as required by NCGS 138A-15(c).

**REPORT OF THE PROFESSIONAL STANDARDS COMMITTEE:** Mr. Cook moved and the Board approved the following recommendations of the Committee:

Case No. C2014058 - Michael A. Nader - Approve the signed Consent Order (Appendix V).

Case No. C2015194-1 and Case No. C2015194-2 - Ki-Hyun Chun and Ki-Hyun Chun, CPA - Approve the signed Consent Order (Appendix VI).

Case No. C2016133 - Bauknight Pietras & Stormer, P.A. - Approve the signed Consent Order (Appendix VII).

Case No. C2016135 - Callahan CPA - Approve the signed Consent Order (Appendix VIII).

Case No. C2016136 - Greig Davis CPA, P.C. - Approve the signed Consent Order (Appendix IX).

Case No. C2016128 - Close the case without prejudice and with a Letter of Warning.

Case No. C2016006 - Close the case without prejudice. Ms. Brown recused herself from this matter and did not participate in the discussion of this matter nor did she vote on this matter.

Case No. C2016024 - Close the case without prejudice and with a Letter of Warning. Mr. Womble recused himself from this matter and did not participate in the discussion of this matter nor did he vote on this matter.

Case No. C2016161 - Close the case without prejudice and with a Letter of Warning. Mr. Cook recused himself from this matter and did not participate in the discussion of this matter nor did he vote on this matter.

**REPORT OF THE PROFESSIONAL EDUCATION AND APPLICATIONS COMMITTEE:** Mr. Biggs moved and the Board approved the following recommendations of the Committee:

**Original Certificate Applications** - The Committee recommended that the Board approve the following:

Kristen Brooke Adams	Kugapiriya Kuganendran
Thomas Robert Arland	Cameron English Landreth
Tyler Edwards Carson	Gerald Broden Littley
Devin Mark Cass	Diania Lee McRae
Chelsea Elizabeth Cunningham	Scott Allen Millikan
Monica Batts Davis	Jose Alexander Pena
Evan James Dupe	Alexander Prytyskach
Erica Whitney Fink	Zoya Khalid Qureshi
Austin Lloyd Flynn	Holden Tyler Rudd
Jennifer Buckner Fox	Adam Michael Sawchak
Matthew Scott Fussell	Alex Gray Speight
Benjamin Maxcey Kenneth Gupton	Seth Edwin Starner
Robert William Hales	Kaleb Edward Tucker
Caroline Elizabeth Henry	Kaeli Paige Weaver
Stuart Preston Huller	Amber Dawn Williams
Jeremy Marc Jacobs	Lindsey Harper Willis
Andrew Michael Jarrett	Nellie Annabelle Wilson
Nicole Rene King	Rachel Edwards Wright

**Reciprocal Certificate Applications** - The Committee recommended that the Board approve the following:

Scott Richard Crews	Kellyn Rose Gombert
Michael Edward Ellis	Poonam Kulkarni

Traci Leigh Spooner  
Peter L. Tomkie

Richard Edward Westbay  
Ting Zheng

**Temporary Permits** - The Committee recommended that the Board approve the following temporary permits that were approved by the Executive Director:

John Joseph Saccardi, T9258  
John Buckley McLean, T9259  
Mary Kathryn McGuire, T9260  
Harry Ward Miley, III, T9261  
Lotte Dodson Bostick, T9262  
Kelly Elizabeth Brittan, T9263  
Christopher B. Boggs, T9264  
Jessica Marie Alfonzo, T9265

Adriano De Pina, Jr., T9266  
Stephen Robert Kimmel, T9320  
Sarah L. Flynn, T9321  
Jenna Louise Cameron, T9322  
Katherine Jakubowski, T9323  
Natasa T. Anderson, T9324  
Kevin Peter Shimkus, T9325  
Nils Martin Persson, T9326

**Reinstatements** - The Committee recommended that the Board approve the following:

George Laurence Baer, #25854  
Tiffany Dern Foster, #25041  
Emily Drescher Hansen, #33679

Christi Thompson Piner, #24174  
Mark Owen Smith, #37443

**Reissuance of New Certificate** - The Committee recommended that the Board approve the application for reissuance of new certificate submitted by James Daniel McClelland, Jr., #34182.

**Firm Registrations** - The Committee recommended that the Board approve the professional limited liability company Sue Faber CPA, PLLC that was approved by the Executive Director.

**Letters of Warning** - Staff recommended approval of the request to rescind the letters of warning awarded to the individuals listed below. The Committee recommended that the Board approve staff recommendation:

Dustin Houdyshell, #38821  
Rachel Raiford Spinarski, #23695

Andrew Timberlake, #25387

**Examinations** -The Committee recommended that the Board approve the following staff-approved applicants to sit for the Uniform CPA Examination:

Matthew Abrams  
Ylora Acosta  
Ibukun Adewuyi  
Esra Al-Shawafi

Helen Albini  
Scott Alford  
Alexander Bacon  
Bernice Badu

Katelyn Barbee  
Faye Barry  
Nicholas Baum  
Joseph Baxter  
Elizabeth Bean  
Jennifer Bell  
Adam Bellefeuille  
Michelle Bennett  
Carley Benoit  
Shannon Berry  
Dillon Blake  
Rebecca Bland  
Andrew Bowman  
Marques Boyce  
Hannah Breedlove  
Rachael Broom  
Emily Brown  
Renelle Brown  
Andrew Bryson  
Na-im Butler  
Mary Casey  
Vanessa Castillo Soza  
Cara Chabreck  
Ri Chan  
Henry Chao  
Megan Cherry  
Justin Chestnutt  
Francesca Ciampi  
Elton Click  
Jarret Cline  
Melanie Clyburn  
Molly Cogburn  
Kevin Collins  
Marlen Collins  
Kenneth Cooper  
Daniel Cornelison  
Patrick Crawford  
Lindsay Cregger  
MacKenzie Crucitti  
Andrew Cullinan  
Sharon Cullipher  
Lewis Curtis  
Ha Dao

Laura Davenport  
Winston Davenport  
Chrissi Davis  
Leland Davis  
Taylor Davis  
Richard Dawson  
Adam Dedie  
Erin Delph  
Candace DeSantes  
Kerianne Doran  
Thomas Dowling  
Samuel Duffort  
Jessica Dupree  
James Durand  
Nancy Elliott  
David Emery  
Audrey Everett  
Melanie Falk  
Andrew Farris  
Olena Fedchenko  
Arlene Ferriter  
Matthew Finney  
Holly Fisher  
Zachary Fitzgerald  
Taylor Fogg  
Hannah Fullwood  
Shamber Gentry  
Matthew Gochis  
Brandon Godwin  
Dana Gray  
Danez Green  
Frank Greer  
John Gudauskas  
Moniquea Haffner  
Geoffrey Haigler  
Jessica Hampton  
Deidre Hanson  
Geri Hare  
Frank Harper  
Cameron Harrison  
Cherie Harrison  
Tyler Hartman  
Elissa Harvey

Andrew Harward  
Susan Haskins  
Andrew Hassler  
Stephen Hathcock  
John Haus  
Shernelia Hawkins  
Kimberly Hecht  
Jacy Heeter  
Reanne Henry  
Morgan Hess  
Lisa Hetzler  
Elyse Hiraoka  
Parker Hodges  
Shannon Hogan  
Joshua Holbrooks  
Mark Horsch  
Ethan Howell  
Keith Howell  
Ryan Hucks  
Robin Hunter  
Kelsey Isaacs  
Jesse Ivens  
Stefani Jackson  
Joseph Jacobs  
Tanya Jenkins  
Yining Jiang  
Jennifer Jordan  
Forrest Kasler  
Samantha Kattan  
Timothy Kay  
Emma Kenney  
William Kingdon  
Christopher Kishbaugh  
Mary Madison Kizer  
Katherine Kleinknecht  
Matthew Knott  
Katherine Lang  
Jimmy Lee  
Sarah Lee  
Justin Locklear  
Cicely Lopez  
Joshua Lyons  
Keisha Lyons

Erin Mack  
Juan Manrique Romero  
Emily Maurer  
Karen McCall  
Stephanie McCormack  
Parker Megginson  
Daniel Michiels  
Courtney Miller  
Dylan Miller  
Garrett Miller  
Maria Mishchenko  
Alina Misiunas  
Jason Morgan  
April Morris  
Donna Multerer  
Janet Murphy  
Megan Murphy  
Morgan Nash  
Angela Nave  
Emily Newsome  
Kimtram Nguyen  
Linh Nguyen  
James Nobles  
Jeremy Norville  
Jason Nottingham  
Charlene Pacheco  
Rohan Patel  
Alexander Payne  
Chelsea Payne  
Bradford Peaden  
Ricci Pelland  
Antonio Perez Lara  
Amanda Perry  
Thanh Pham  
Taylor Pittman  
Hillary Preddy  
Hannah Pressley  
Susan Propst  
Brian Renegar  
Andrew Renfro  
Mary Rhyne  
Patricia Roberts  
Jack Robertson

Mary Robertson  
Hilarie Rodenhizer  
Bryan Rogan  
Bradley Rogers  
Jason Sauder  
Cristy Scholler  
Steven Scott  
Hogan Sellers  
Stephen Sheller  
Zeke Sigler  
Karen Singletary  
Charlie Sipe  
Travis Sirois  
Jacob Slavik  
Caitlin Smith  
Krystal Smith  
Anna Sossaman  
Stacey Stafford  
September Staten  
Elias Stergiou  
Carter Stinman  
Martha Strickland  
Ryan Sutton  
Alexander Szigedi  
Christopher Tate  
Cheryl Taylor  
Colin Taylor  
Hannah Tennyson  
Genessa Tetterton  
Palak Thakore  
Clinton Thomas  
Maurice Thompson

Jonathan Troutman  
Taresa Turner  
Susan Tyler  
Onur Uman  
Edward Vallejo  
Shakira Vance  
Elizabeth Vanderbeek  
Matthew VanDyne  
Erin Vankleeck  
Andre Viljoen  
Tessa Vinson  
Tamika Walston  
Erica Walters  
Evan Wardrop  
Richard Warriner  
Kayla Watkins  
Christopher Weathersbee  
Christina Weaver  
Haley West  
Mitchell West  
Taylor Westerhof  
David Wheeler  
Bailey Wilhelm  
Aviance Williams  
Brent Williams  
Justin Williams  
John Willis  
Sarah Willis  
Michael Wood  
Kenneth Woodruff  
Hannah Zeiger

**CLOSED SESSION:** Messrs. Cook and Williams moved to enter Closed Session to discuss legal matters with Legal Counsel. Motion passed.

**PUBLIC SESSION:** Messrs. Cook and Biggs moved to re-enter Public Session. Motion passed.

**EXECUTIVE STAFF AND LEGAL COUNSEL REPORT:** Mr. Nance presented the Board's Strategic Plan with all objectives updated. After discussion, Mr. Nance asked all Board members to provide him with comments and suggestions regarding the Plan.

**ADJOURNMENT:** Messrs. Womble and Biggs moved to adjourn the meeting at 1:27 p.m. Motion passed.

Respectfully submitted:

Attested to by:

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Robert N. Brooks  
Executive Director

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Michael H. Womble, CPA  
President

NORTH CAROLINA  
WAKE COUNTY

BEFORE THE NORTH CAROLINA STATE BOARD OF  
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS  
CASE #: C2015275

IN THE MATTER OF:  
Anthony M. Luper, #20752  
Respondent

BOARD ORDER

THIS CAUSE coming before the North Carolina State Board of Certified Public Accountant Examiners (the "Board") at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, at public hearing ("Hearing"), with a quorum present, the Board finds, based on the evidence presented at the Hearing on August 22, 2016, that:

FINDINGS OF FACT

1. Anthony M. Luper (hereinafter "Respondent"), is the holder of North Carolina certificate number 20752 as a Certified Public Accountant.
2. The Board has jurisdiction over the Respondent and the subject matter of this action.
3. The Respondent received at least fifteen (15) days written notice of the Hearing. The notice was achieved by serving a Notice of Hearing by personal service, certified mail, or other method of delivery authorized by N.C. Gen. Stat. § 150B-42(a).
4. Venue is proper and the Hearing was properly held at 1101 Oberlin Road, Raleigh, North Carolina.
5. The Respondent did not object to any Board Member's participation in the Hearing of this matter.
6. The Respondent was not present at the Hearing and was not represented by counsel.

7. The Respondent informed the Board on his 2015-2016 individual certificate renewal ("2015 Renewal") that between January 1, 2014, and June 30, 2015, he had obtained forty (40) hours of continuing professional education and had completed the annual approved ethics CPE course.
8. Based on the Respondent's representation, the Board accepted his Renewal.
9. The Respondent, because he had received a Letter of Warning, was subjected to an audit of his CPE for the 2013 and 2014 years.
10. The Respondent was unable to provide documentation for all his 2013 and 2014 CPE. The major cause of the shortfall was that the Respondent was not able to claim hours for presentations made to his client. Those presentations were not CPE courses for CPAs and therefore did not count towards his CPE requirement.
11. The Respondent, after initially responding to the inquiries by the Professional Standards staff, became unresponsive and failed to answer Board correspondence within twenty-one (21) days.

#### CONCLUSIONS OF LAW

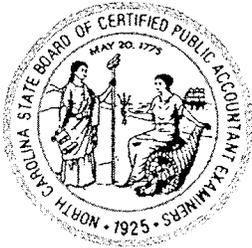
1. Per N.C. Gen. Stat. § 150B-42, this Board Order constitutes a Final Agency Decision of the Board.
2. The Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes and Title 21, Chapter 8 of the North Carolina Administrative Code. Pursuant to N.C. Gen. Stat. § 93-12(9), the Board has the authority to impose discipline upon the Respondent and Respondent's certificate and to impose civil monetary penalties.
3. The Respondent's actions as set out above constitute violations of 21 NCAC 08N .0202(a), .0202(b)(3), .0202(b)(4), and .0206.

BASED ON THE FOREGOING, the Board orders in a vote of 5 to 2 that:

1. The Certified Public Accountant certificate issued to the Respondent Anthony M. Luper is revoked for a period of two (2) years from the date of this Order.
2. The Respondent shall not offer or render services as a CPA or otherwise trade upon or use the CPA title in this state either through CPA mobility provisions or substantial equivalency practice privileges or in any other manner, nor shall the Respondent claim or attempt to use any practice privileges in any other state based upon his revoked North Carolina certificate.

This the 22<sup>nd</sup> day of August, 2016.

NORTH CAROLINA STATE BOARD OF CERTIFIED  
PUBLIC ACCOUNTANT EXAMINERS



BY: \_\_\_\_\_

President

NORTH CAROLINA  
WAKE COUNTY

BEFORE THE NORTH CAROLINA STATE BOARD OF  
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS  
CASE #: C2015270

IN THE MATTER OF:  
Deborah G. Jenkins, #20011  
Respondent

BOARD ORDER

THIS CAUSE coming before the North Carolina State Board of Certified Public Accountant Examiners (the "Board") at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, at public hearing ("Hearing"), with a quorum present, the Board finds, based on the evidence presented at the Hearing on August 22, 2016, that:

FINDINGS OF FACT

1. Deborah G. Jenkins (hereinafter "Respondent") was the holder of North Carolina certificate number 20011 as a Certified Public Accountant.
2. The Board has jurisdiction over the Respondent and the subject matter of this action.
3. The Respondent received at least fifteen (15) days written notice of the Hearing. The notice was achieved by serving a Notice of Hearing by personal service, certified mail, or other method of delivery authorized by N.C. Gen. Stat. § 150B-42(a).
4. Venue is proper and the Hearing was properly held at 1101 Oberlin Road, Raleigh, North Carolina.
5. The Respondent did not object to any Board Member's participation in the Hearing of this matter.
6. The Respondent was not present at the Hearing and was not represented by counsel.

7. The Respondent informed the Board on her 2014-2015 individual certificate Renewal ("Renewal") that between January 1, 2013, and June 30, 2014, she had obtained the requisite forty (40) hours of continuing professional education ("CPE") to meet her 2013 CPE requirements.
8. The Respondent was subsequently subjected to an audit of her 2013 CPE by the Board staff.
9. The Respondent was initially responsive to the CPE audit and uploaded her CPE certificates for review by the Board's Licensing staff. Upon review, the Licensing staff noted that one of the certificates was incomplete and did not substantiate her CPE. The Respondent was not responsive to the staff's request for clarification.
10. After the initiation of the CPE audit, the Respondent did not renew her CPA certificate for the 2015-2016 year. As a result, her certificate was placed on forfeit status.
11. The matter was then referred to the Board's Professional Standards staff for possible disciplinary action. The Respondent was completely unresponsive to the Board's Professional Standards staff despite being sent numerous communications via email, regular mail, certified mail, and telephone messages.
12. The Board staff was later able to independently verify through the CPE sponsor that the Respondent had indeed completed the CPE at issue.
13. The Respondent was provided with multiple Notices of Hearing at her home and work addresses. The Notices informed her that disciplinary action, up to and including permanent revocation of her CPA certificate, could result from the Hearing.

#### CONCLUSIONS OF LAW

1. Per N.C. Gen. Stat. § 150B-42, this Board Order constitutes a Final Agency Decision of the Board.
2. The Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes and Title 21, Chapter 08 of the North Carolina Administrative Code. Pursuant to N.C. Gen. Stat. § 93-12(9), the Board has the authority to impose discipline upon the Respondent and the Respondent's certificate and to impose civil monetary penalties.

Board Order - 3  
Deborah G. Jenkins

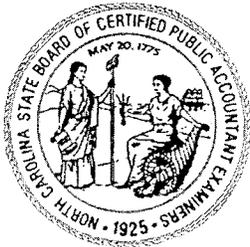
3. The Respondent's actions as set out above constitute violations of 21 NCAC 08N .0206.

BASED ON THE FOREGOING, the Board orders in a vote of 7 to 0 that:

1. The Respondent Deborah G. Jenkins is censured.
2. In the event that the Respondent chooses to reinstate her CPA certificate, she must first pay a one thousand dollar (\$1000) civil monetary penalty.

This the 22<sup>nd</sup> day of August, 2016.

NORTH CAROLINA STATE BOARD OF CERTIFIED  
PUBLIC ACCOUNTANT EXAMINERS



BY: \_\_\_\_\_

President

**NORTH CAROLINA STATE BOARD OF  
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS**



**RESOLUTION**

*WHEREAS, George W. Rohe, CPA, has served as a member of the North Carolina State Board of Certified Public Accountant Examiners since 2014;*

*WHEREAS, during his tenure, he served as a member of the Professional Education & Applications Committee;*

*WHEREAS, during his tenure, he served as Chair of the Professional Education & Applications Committee;*

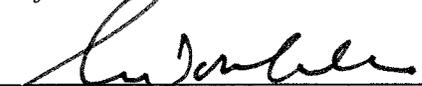
*WHEREAS, during his tenure he served as a member the Audit Committee;*

*WHEREAS, during his tenure he has faithfully and tirelessly served as a leader in the profession and is an eloquent spokesman for the best interests of the public and the profession;*

**BE IT THEREFORE RESOLVED** *that the members of the North Carolina State Board of Certified Public Accountant Examiners thank George W. Rohe, CPA, for his dedicated service, his personal sacrifice to serve the public interest, and his leadership to the Board.*

*This the 22d day of August 2016.*

*North Carolina State Board of  
Certified Public Accountant Examiners*

  
\_\_\_\_\_  
Michael H. Womble, CPA, President





**STATE ETHICS COMMISSION**

1324 MAIL SERVICE CENTER  
RALEIGH, NC 27699-1324  
WWW.ETHICSCOMMISSION.NC.GOV

GEORGE L. WAINWRIGHT, JR.  
CHAIRMAN

PERRY Y. NEWSON  
EXECUTIVE DIRECTOR

July 21, 2016

The Honorable Patrick L. McCrory  
Governor of North Carolina  
20301 Mail Service Center  
Raleigh, NC 27699-0301

*Via email*

**Re: Evaluation of Statement of Economic Interest Filed By Mr. Lee Samuel Williams, Jr.  
Prospective Appointee - North Carolina Certified Public Accountant Examiners**

Dear Governor McCrory:

Our office is in receipt of **Mr. Lee Samuel Williams, Jr.**'s 2016 Statement of Economic Interest as a prospective appointee to the **North Carolina Certified Public Accountant Examiners ("Board")**. We have reviewed it for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statutes ("N.C.G.S."), also known as the State Government Ethics Act.

**We did not find an actual conflict of interest, but found the potential for a conflict of interest. The potential conflict identified does not prohibit service on this entity.**

The North Carolina State Board of Certified Public Accountant Examiners is responsible for the certification of persons engaged as public accountants in North Carolina. The Board has authority to administer certification examinations, issue, renew and revoke certifications, and otherwise regulate certified public accountants.

The State Government Ethics Act establishes ethical standards for certain public servants, including conflict of interest standards. N.C.G.S. §138A-31 prohibits public servants from using their positions for their financial benefit or for the benefit of a member of their extended family or a business with which they are associated. N.C.G.S. §138A-36(a) prohibits public servants from participating in certain official actions from which the public servant, his or her client(s), a member of the public servant's extended family, or a business or non-profit with which the public servant or a member of the public servant's immediate family is associated may receive a reasonably foreseeable financial benefit.

Mr. Williams will fill the role of a certified public accountant on the Board. He is self-employed as a certified public accountant and is certified by the Board. As such, he has the potential for a conflict of interest and should exercise appropriate caution in the performance of his public duties should his certification or the certifications of his coworkers come before the Board for official action.

In addition to the conflicts standards noted above, N.C.G.S. §138A-32 prohibits public servants from accepting gifts, directly or indirectly (1) from anyone in return for being influenced in the discharge of their official responsibilities, (2) from a lobbyist or lobbyist principal, or (3) from a person or entity which is doing or seeking to do business with the public servant's agency, is regulated or controlled by the public servant's agency, or has particular financial interests that may be affected by the public servant's official actions. Exceptions to the gifts restrictions are set out in N.C.G.S. §138A-32(e).

The Honorable Patrick L. McCrory  
July 21, 2016  
Page 2 of 2

Pursuant to N.C.G.S. 138A-15(c), when an actual or potential conflict of interest is cited by the Commission under N.C.G.S. 138A-24(e) with regard to a public servant sitting on a board, the conflict shall be recorded in the minutes of the applicable board and duly brought to the attention of the membership by the board's chair as often as necessary to remind all members of the conflict and to help ensure compliance with the State Government Ethics Act.

Finally, the State Government Ethics Act mandates that all public servants attend an ethics and lobbying education presentation. Please review the attached document for additional information concerning this requirement.

Please contact our office if you have any questions concerning our evaluation or the ethical standards governing public servants under the State Government Ethics Act.

Sincerely,



Beth Carpenter  
SEI Unit

cc: Mr. Lee Samuel Williams, Jr.

Attachment: Ethics Education Flyer

113 103

NORTH CAROLINA  
WAKE COUNTY

BEFORE THE NORTH CAROLINA STATE BOARD OF  
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS  
CASE #: C2014058.

IN THE MATTER OF:

Michael A. Nader, #30449  
Respondent

CONSENT ORDER

THIS CAUSE, coming before the North Carolina State Board of CPA Examiners ("Board") at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to N. C. Gen. Stat. § 150B-41, the Board and Respondent stipulate to the following:

1. Respondent Michael A. Nader (hereinafter "Respondent") is the holder of North Carolina certificate number 30449 as a Certified Public Accountant.
2. Respondent has confirmed that on or about March 26, 2014, he was charged with a criminal offense. However, on July 29, 2014, when renewing his CPA certificate, Respondent checked "no" in response to the following question:
 

Have you been charged, arrested, convicted, found guilty of, received a prayer for judgment continued, or pleaded *nolo contendere* to any criminal offense, excluding non-criminal traffic infractions, since filing your last renewal?
3. The charges arose from allegations that Respondent had misappropriated funds from a bookkeeping client.
4. Ultimately, Respondent pleaded *nolo contendere* to a misdemeanor count. He was sentenced to forty-five (45) days of probation, and paid full restitution to the client.
5. Respondent wishes to resolve this matter by consent and agrees that the Board staff and counsel may discuss this Consent Order with the Board *ex parte*, whether or not the Board accepts this Consent Order as written. Respondent understands and agrees that this Consent Order is subject to review and approval by the Board and is not effective until approved by the Board at a duly constituted Board Meeting.

BASED upon the foregoing, the Board makes the following Conclusions of Law:

1. Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes and Title 21, Chapter 08 of the North Carolina Administrative Code, including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.

NC BOARD OF

AUG - 8 2016

CPA EXAMINERS

Consent Order - 2  
Michael A. Nader

2. Respondent's failure to report his criminal charges on his June 29, 2014, CPA certificate renewal constitutes a violation of 21 NCAC 08N .0202.
3. Respondent's *nolo contendere* plea constitutes a "conviction of any crime, an essential element of which is dishonesty, deceit or fraud" in violation of N.C. Gen. Stat. § 93-12(9)(b)
4. Per N.C. Gen. Stat. § 93-12(9), 93-10(b) and also by virtue of Respondent's consent to this order, Respondent is subject to the discipline set forth below.

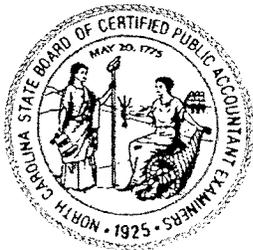
BASED on the foregoing and in lieu of further proceedings, the Board and Respondent agree to the following Order:

1. The Certified Public Accountant certificate issued to Respondent, Michael A. Nader, is hereby permanently revoked.
2. Respondent shall not offer or render services as a CPA or otherwise trade upon or use the CPA title in this State either through CPA mobility provisions or substantial equivalency practice privileges or in any other manner, nor shall Respondent claim or attempt to use any practice privileges in any other state based upon his permanently revoked North Carolina certificate.

CONSENTED TO THIS THE 29<sup>th</sup> DAY OF July, 2016.  
(Day) (Month) (Year)  
Respondent MICHAEL NADER

APPROVED BY THE BOARD THIS THE 22 DAY OF AUGUST, 2016  
(Day) (Month) (Year)

NORTH CAROLINA STATE BOARD OF CERTIFIED  
PUBLIC ACCOUNTANT EXAMINERS



BY: [Signature]  
President

NC BOARD OF  
AUG - 8 2016  
CPA EXAMINERS

NORTH CAROLINA  
WAKE COUNTY

BEFORE THE NORTH CAROLINA STATE BOARD OF  
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS  
CASE #: C2015194-1 and C2015194-2

IN THE MATTER OF:

Ki-Hyun Chun, #14075

Ki-Hyun Chun, CPA, #564301

Respondents

CONSENT ORDER

THIS CAUSE, coming before the North Carolina State Board of CPA Examiners ("Board") at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to N. C. Gen. Stat. § 150B-41, the Board and Respondent stipulate to the following:

1. Respondent Ki-Hyun Chun ("Respondent") is the holder of North Carolina certificate number 14075 as a Certified Public Accountant.
2. Respondent Firm Ki-Hyun Chun, CPA ("Respondent Firm"), is a properly registered CPA firm in North Carolina.
3. The Board received a document which, on its face, purported to be an audit report ("Report") for a nonprofit client ("Client"). In the Report, the Respondent provided an opinion that the Client's financial statements fairly presented its financial position.
4. The Report was printed on letterhead identifying the Respondent individually and the Chun Group, Inc. The Chun Group, Inc., is not a registered CPA firm.
5. The Report was not prepared or presented in conformance with audit standards.
6. In response to the Board's inquiry, Respondent and Respondent Firm asserted that the Report was actually a compilation that had been incorrectly titled as an audit report. Neither Respondent nor Respondent Firm obtained an engagement letter, and the report was not prepared in accordance with the reporting standards required for compilation reports.
7. Respondent and Respondent Firm stated that the Report was generated as a free service for a nonprofit organization and that the title on the report was a clerical error.

8. Respondent and Respondent Firm wish to resolve this matter by consent and agree that the Board staff and counsel may discuss this Consent Order with the Board *ex parte*, whether or not the Board accepts this Consent Order as written. Respondent and Respondent Firm understand and agree that this Consent Order is subject to review and approval by the Board and is not effective until approved by the Board at a duly constituted Board Meeting.

BASED upon the foregoing, the Board makes the following Conclusions of Law:

1. Respondent and Respondent Firm are subject to the provisions of Chapter 93 of the North Carolina General Statutes and Title 21, Chapter 08 of the North Carolina Administrative Code, including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.
2. The Report, assuming that it was a compilation report as asserted by the Respondent, failed to conform to Statements on Standards for Accounting and Review Services, in violation of 21 NCAC 08N .0404.
3. By issuing the report under the name Chun Group, Inc., Respondent and Respondent Firm have also violated 21 NCAC 08N .0306(c), which requires a CPA firm to issue all professional service reports under the exact firm name as registered with the Board.
4. Per N.C. Gen. Stat. § 93-12(9), 93-10(b) and also by virtue of Respondent's and Respondent Firm's consent to this order, Respondent and Respondent Firm are subject to the discipline set forth below.

BASED on the foregoing and in lieu of further proceedings, the Board and Respondent and Respondent Firm agree to the following Order:

1. Respondent shall complete eight (8) hours of SSARS CPE annually until Respondent Firm has received a Pass on its next scheduled peer review.
2. Respondent Firm shall pay a civil penalty in the amount of one thousand dollars (\$1,000) for failure to issue an engagement letter as required by the SSARS.
3. Respondent shall sign an affidavit agreeing not to perform any audits, reviews, or agreed-upon procedures unless his firm first obtains a pre-issuance review. The review must be performed by a CPA mutually agreed upon by Respondent and the Board. The pre-issuance review requirement shall be in effect until the

Consent Order - 3  
Ki-Hyun Chun  
Ki-Hyun Chun, CPA

Board is satisfied with his compliance with standards for those attest engagements.

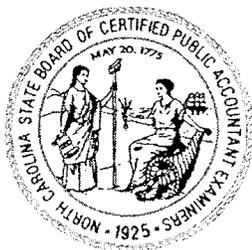
CONSENTED TO THIS THE 27<sup>th</sup> DAY OF July, 2016  
(Day) (Month) (Year)

Ki-Hyun Chun  
Respondent

KI-HYUN CHUN  
Individual authorized to sign on behalf of Respondent Firm

APPROVED BY THE BOARD THIS THE 22 DAY OF August, 2016  
(Day) (Month) (Year)

NORTH CAROLINA STATE BOARD OF CERTIFIED  
PUBLIC ACCOUNTANT EXAMINERS



BY: [Signature]  
President

NORTH CAROLINA  
WAKE COUNTY

BEFORE THE NORTH CAROLINA STATE BOARD OF  
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS  
CASE #C2016133

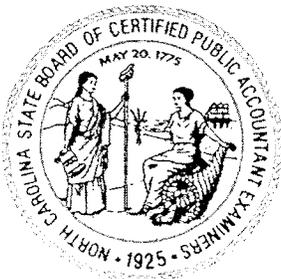
IN THE MATTER OF:  
Bauknight Pietras & Stormer, P.A.  
Respondent Firm

ORDER

THIS MATTER having come before the Board with a quorum present, and having been consented to by the Respondent, the Board finds and orders as follows:

1. Bauknight Pietras & Stormer, P.A. (hereinafter "Respondent Firm") was a registered certified public accounting firm in North Carolina.
2. Respondent Firm failed to timely renew or cancel its annual firm registration in accordance with provisions as required by N. C. Gen. Stat. §93-12 (7b) and 21 NCAC 08J .0108 (b) and (g), and 08N .0213.
3. Pursuant to 21 NCAC 08J .0111(1), because Respondent Firm's infraction was for a period of more than one hundred twenty (120) days, the appropriate penalty is five hundred dollars (\$500).
5. Respondent Firm has paid its civil penalty and consents to the entry of this Order and has waived any right to a hearing.
6. The Board members present, representing a quorum of the Board, have unanimously decided to accept Bauknight Pietras & Stormer, P.A.'s payment as full resolution of the aforementioned rules violation.

This the 22 day of August, 2016.  
(Day) (Month) (Year)



NORTH CAROLINA STATE BOARD OF CERTIFIED  
PUBLIC ACCOUNTANT EXAMINERS

BY: \_\_\_\_\_

*[Handwritten Signature]*

President

NORTH CAROLINA  
WAKE COUNTY

BEFORE THE NORTH CAROLINA STATE BOARD OF  
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS  
CASE #C2016135

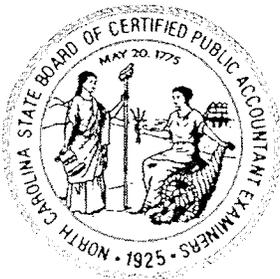
IN THE MATTER OF:  
Callahan CPA  
Respondent Firm

ORDER

THIS MATTER having come before the Board with a quorum present, and having been consented to by the Respondent, the Board finds and orders as follows:

1. Callahan CPA (hereinafter "Respondent Firm") was a registered certified public accounting firm in North Carolina.
2. Respondent Firm failed to timely renew or cancel its annual firm registration in accordance with provisions as required by N. C. Gen. Stat. §93-12 (7b) and 21 NCAC 08J .0108 (b) and (g), and 08N .0213.
3. Pursuant to 21 NCAC 08J .0111(1), because Respondent Firm's infraction was for a period of more than one hundred twenty (120) days, the appropriate penalty is five hundred dollars (\$500).
5. Respondent Firm has paid its civil penalty and consents to the entry of this Order and has waived any right to a hearing.
6. The Board members present, representing a quorum of the Board, have unanimously decided to accept Callahan CPA's payment as full resolution of the aforementioned rules violation.

This the 22 day of August, 2016.  
(Day) (Month) (Year)



NORTH CAROLINA STATE BOARD OF CERTIFIED  
PUBLIC ACCOUNTANT EXAMINERS

BY: [Signature]  
President

NORTH CAROLINA  
WAKE COUNTY

BEFORE THE NORTH CAROLINA STATE BOARD OF  
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS  
CASE #C2016136

IN THE MATTER OF:  
Greig Davis CPA, P.C.  
Respondent Firm

ORDER

THIS MATTER having come before the Board with a quorum present, and having been consented to by the Respondent, the Board finds and orders as follows:

1. Greig Davis CPA, P.C. (hereinafter "Respondent Firm") was a registered certified public accounting firm in North Carolina.
2. Respondent Firm failed to timely renew or cancel its annual firm registration in accordance with provisions as required by N. C. Gen. Stat. §93-12 (7b) and 21 NCAC 08J .0108 (b) and (g), and 08N .0213.
3. Pursuant to 21 NCAC 08J .0111(1), because Respondent Firm's infraction was for a period of more than one hundred twenty (120) days, the appropriate penalty is five hundred dollars (\$500).
5. Respondent Firm has paid its civil penalty and consents to the entry of this Order and has waived any right to a hearing.
6. The Board members present, representing a quorum of the Board, have unanimously decided to accept Greig Davis CPA, P.C.'s payment as full resolution of the aforementioned rules violation.

This the 22 day of AUGUST, 2016.  
(Day) (Month) (Year)



NORTH CAROLINA STATE BOARD OF CERTIFIED  
PUBLIC ACCOUNTANT EXAMINERS

BY: \_\_\_\_\_

President

**Financial Highlights**  
**For the Five Month Period Ended August 31, 2016**  
**Compared to the Five Month Period Ended August 31, 2015**

	Budget Var.	Aug-16	Aug-15	Inc. (Dec.)
Total Revenue	\$ 31,171.65	\$ 1,998,190.90	\$ 1,904,941.21	\$ 93,249.69
■ Total Operating Revenue	\$ 36,361.87	\$ 1,977,511.77	\$ 1,873,524.07	\$ 103,987.70
❖ Total Net Non Operating Revenue	\$ (5,190.22)	\$ 20,679.13	\$ 31,417.14	\$ (10,738.01)
○ Total Expenses	\$ (12,786.14)	\$ 1,241,623.59	\$ 1,109,287.90	\$ 132,335.69
Increase(Dec.) Net Assets for Period		\$ 756,567.31	\$ 795,653.31	\$ (39,086.00)
Total Checking and Savings		\$ 1,933,322.09	\$ 1,202,477.70	\$ 730,844.39
Total Assets		\$ 4,179,233.23	\$ 3,864,353.73	\$ 314,879.50
Full-Time/Part-time Employees		13/1	13/1	0/0

**Budget:**

- Operating revenue was \$36,000 over budget. The primarily area of increased revenue was exam fee revenue (\$38,000).
- ❖ Non-Operating revenue was \$5,000 under budget primarily due to the lower gift card revenue (\$4,000).
- Expenses were \$13,000 under budget. Key variances individually were fringe benefit costs (-\$22k), exam costs (+\$38k), office expense (+\$15k), and postage and printing costs (-\$16k).

**Actual:**

- Total operating revenue increased from prior year by \$104,000. Increase related to higher intake of certificate renewal fees (\$30,000) and expected exam fee revenue (\$74,000).
- ❖ Total net non-operating revenue decreased this period compared to prior by \$11,000 primarily due the Board not redeeming any of its gift cards to offset expenses at this time.

09/07/16

NC Board of CPA Examiners  
**Statement of Net Position**  
 As of August 31, 2016

	<u>Aug 31, 16</u>	<u>Aug 31, 15</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Checking/Savings</b>		
1077 · Fidelity Bank - MMA	249,074.30	0.00
1076 · Bank of North Carolina - MMA	502,248.39	250,232.98
1075 · Union - Money Market	248,812.66	245,795.69
1074 · First Tennessee Bank - MMA	245,762.45	244,944.43
1023 · BB&T Disciplinary Clearing Acct	2,000.00	7,500.00
1020 · BB&T Checking Acct	75,039.79	143,720.47
1021 · BB&T Savings Account	610,284.50	310,181.83
1030 · BB&T Payroll Acct	100.00	102.30
<b>Total Checking/Savings</b>	<u>1,933,322.09</u>	<u>1,202,477.70</u>
<b>Other Current Assets</b>		
1110 · Accrued CD Interest	5,335.18	5,107.43
1050 · CD Investments - Current	500,991.47	1,237,150.47
1165 · Deferred Lease Commissions	4,358.12	0.00
1125 · Accts Rec Civil Penalties	5,000.00	0.00
1120 · Accounts Receivable	-92.80	0.00
<b>Total Other Current Assets</b>	<u>515,591.97</u>	<u>1,242,257.90</u>
<b>Total Current Assets</b>	<u>2,448,914.06</u>	<u>2,444,735.60</u>
<b>Fixed Assets</b>		
1330 · Land Improvement	14,640.90	14,640.90
1300 · Building	1,022,767.10	917,143.10
1305 · Land	300,000.00	300,000.00
1310 · Furniture	112,387.24	113,918.90
1320 · Equipment	174,698.30	208,343.47
1325 · Data Base Software	180,336.18	180,336.18
1390 · Accumulated Depreciation	-815,010.72	-807,493.22
<b>Total Fixed Assets</b>	<u>989,819.00</u>	<u>926,889.33</u>
<b>Other Assets</b>		
1250 · CD Investments Non-Current	740,500.17	492,728.80
<b>Total Other Assets</b>	<u>740,500.17</u>	<u>492,728.80</u>
<b>TOTAL ASSETS</b>	<u><b>4,179,233.23</b></u>	<u><b>3,864,353.73</b></u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Other Current Liabilities</b>		
2040 · Accounts Payable Civil Penalty	4,500.00	0.00
2005 · Due to Exam Vendors	611,197.41	452,556.65
2011 · Accounts Payable Other	2,500.00	2,500.00
2015 · Accrued Vacation Current	7,332.18	4,571.00
<b>Total Other Current Liabilities</b>	<u>625,529.59</u>	<u>459,627.65</u>
<b>Total Current Liabilities</b>	<u>625,529.59</u>	<u>459,627.65</u>

09/07/16

NC Board of CPA Examiners  
**Statement of Net Position**  
As of August 31, 2016

	<u>Aug 31, 16</u>	<u>Aug 31, 15</u>
<b>Long Term Liabilities</b>		
2020 · Accrued Vacation	72,106.36	73,432.34
<b>Total Long Term Liabilities</b>	<u>72,106.36</u>	<u>73,432.34</u>
<b>Total Liabilities</b>	697,635.95	533,059.99
<b>Net Assets</b>		
3010 · Net Assets Invest in Cap Assets	989,819.00	926,889.33
3020 · Designated for Capital Assets	100,000.00	100,000.00
3031 · Designated-Operating Expenses	300,000.00	300,000.00
3040 · Designated for Litigation	750,000.00	750,000.00
3900 · Net Assets Undesignated	585,210.97	458,751.10
Change in Net Assets	<u>756,567.31</u>	<u>795,653.31</u>
<b>Total Net Assets</b>	<u>3,481,597.28</u>	<u>3,331,293.74</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u><b>4,179,233.23</b></u>	<u><b>3,864,353.73</b></u>

09/07/16

## Statement of Revenues &amp; Expense - Budget v. Actual

April 2016 through August 2016

	Apr - Aug 16	Budget	\$ Over Bud...
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
<b>Certificate Fees</b>			
4110 · Certificates - Initial	23,400.00	29,166.65	-5,766.65
4120 · Certificates - Reciprocal	13,000.00	13,333.35	-333.35
4121 · Certificates - Recip/Temp	0.00	0.00	0.00
4130 · Certificates - Temporary	0.00	0.00	0.00
4131 · Certificates - Temp Renewal	0.00	0.00	0.00
4140 · Certificates - Renewal Fees	1,234,380.00	1,230,000.00	4,380.00
4150 · Certificates - Reinst/Revoked	800.00	0.00	800.00
4151 · Certificates - Reinst/Surr	3,100.00	4,583.35	-1,483.35
4152 · Certificates - Reinst/Retired	0.00	0.00	0.00
4160 · Certificates - Notification	0.00	0.00	0.00
4161 · Certificate - Notification RnwI	0.00	0.00	0.00
<b>Total Certificate Fees</b>	<b>1,274,680.00</b>	<b>1,277,083.35</b>	<b>-2,403.35</b>
<b>Exam Fee Revenue</b>			
4001 · Initial Adm Fees	103,270.00	100,625.00	2,645.00
4002 · Re-Exam Adm Fees	82,125.00	78,125.00	4,000.00
4004 · Exam Fees Revenue	529,673.74	500,000.00	29,673.74
4060 · Equivalency Exam Fees	0.00	0.00	0.00
4070 · Transfer Exam Grade Credit	0.00	0.00	0.00
4071 · Exam Review Fees	0.00	0.00	0.00
4072 · Exam Scholarship Coupon	-14,731.60	-17,183.45	2,451.85
<b>Total Exam Fee Revenue</b>	<b>700,337.14</b>	<b>661,566.55</b>	<b>38,770.59</b>
<b>Misc</b>			
4993 · Revenue Suspense	0.00	0.00	0.00
4999 · Board Training	0.00	0.00	0.00
4910 · Educational Program Fees	0.00	0.00	0.00
4970 · Duplicate Certificates	400.00	0.00	400.00
4980 · Copies	0.00	0.00	0.00
4990 · Miscellaneous	529.63	625.00	-95.37
<b>Total Misc</b>	<b>929.63</b>	<b>625.00</b>	<b>304.63</b>
<b>Partnership Fees</b>			
4260 · Partnership Registration Fees	30.00	0.00	30.00
4261 · Partnership Renewal Fees	0.00	0.00	0.00
<b>Total Partnership Fees</b>	<b>30.00</b>	<b>0.00</b>	<b>30.00</b>
<b>Professional Corporation Fees</b>			
4250 · PC Registration Fees	1,500.00	1,875.00	-375.00
4251 · PC Renewal Fees	10.00	0.00	10.00
4252 · PC Renewal Fees W/Penalties	25.00	0.00	25.00
<b>Total Professional Corporation Fees</b>	<b>1,535.00</b>	<b>1,875.00</b>	<b>-340.00</b>
<b>Total Income</b>	<b>1,977,511.77</b>	<b>1,941,149.90</b>	<b>36,361.87</b>
<b>Expense</b>			
6900 · Bad Debit Expense	0.00	0.00	0.00
6690 · Over & Short	0.60	0.00	0.60

09/07/16

NC Board of CPA Examiners  
**Statement of Revenues & Expense - Budget v. Actual**  
 April 2016 through August 2016

	Apr - Aug 16	Budget	\$ Over Bud...
<b>Fringe Benefits</b>			
5031 · Retirement - NCLB Contribution	22,805.49	23,328.35	-522.86
5033 · Retirement - NCLB Administr	5,614.81	2,300.00	3,314.81
5035 · Health Ins. Premiums	44,864.22	61,666.65	-16,802.43
5036 · Medical Reim Plan	7,948.73	16,250.00	-8,301.27
5038 · Unemployment Claims	0.00	0.00	0.00
<b>Total Fringe Benefits</b>	81,233.25	103,545.00	-22,311.75
<b>Board Travel</b>			
5120 · Board Travel - Board Meetings	9,407.76	10,120.00	-712.24
5121 · Board Travel - Prof Meetings	14.00	0.00	14.00
5122 · Board Travel - NASBA Annual	379.46	0.00	379.46
5123 · Board Travel - NASBA Regional	8,134.03	9,360.00	-1,225.97
5124 · Board Travel - NASBA Committees	0.00	0.00	0.00
5125 · Board Travel - AICPA/NASBA	0.00	0.00	0.00
5126 · Board Travel - NCACPA Annual	0.00	0.00	0.00
5127 · Board Travel - NCACPA/Board	2,981.53	2,800.00	181.53
5128 · Board Travel - AICPA Committees	0.00	0.00	0.00
5129 · Miscellaneous Board Costs	0.00	0.00	0.00
5133 · Board Travel - NASBA CPE	0.00	0.00	0.00
<b>Total Board Travel</b>	20,916.78	22,280.00	-1,363.22
<b>Building Expenses</b>			
5800 · Building Maintenance	2,632.17	1,800.00	832.17
5801 · Electricity	4,763.28	5,000.00	-236.72
5802 · Grounds Maintenance	700.00	2,083.35	-1,383.35
5803 · Heat & Air Maintenance	606.00	1,500.00	-894.00
5804 · Improvements	0.00	0.00	0.00
5805 · Insurance	0.00	0.00	0.00
5807 · Janitorial Maintenance	2,425.66	2,500.00	-74.34
5808 · Pest Control Service	0.00	200.00	-200.00
5809 · Security & Fire Alarm	2,448.00	0.00	2,448.00
5810 · Trash Collection	-313.18	416.65	-729.83
5811 · Water & Sewer	493.63	458.35	35.28
<b>Total Building Expenses</b>	13,755.56	13,958.35	-202.79
<b>Continuing Education -Staff</b>			
5050 · Continuing Education - Staff	394.85	2,083.35	-1,688.50
5051 · Continuing Education - RNB	102.60	0.00	102.60
5052 · Continuing Education - Computer	0.00	0.00	0.00
<b>Total Continuing Education -Staff</b>	497.45	2,083.35	-1,585.90
<b>Exam Postage</b>			
5531 · Exam Postage	480.00	750.00	-270.00
<b>Total Exam Postage</b>	480.00	750.00	-270.00
<b>Exam Printing</b>			
5533 · Exam Printing	0.00	0.00	0.00
<b>Total Exam Printing</b>	0.00	0.00	0.00

09/07/16

**Statement of Revenues & Expense - Budget v. Actual**

April 2016 through August 2016

	<u>Apr - Aug 16</u>	<u>Budget</u>	<u>\$ Over Bud...</u>
<b>Exam Sitting and Grading</b>			
5538 · Exam Vendor Expense	496,331.78	458,333.35	37,998.43
<b>Total Exam Sitting and Grading</b>	<u>496,331.78</u>	<u>458,333.35</u>	<u>37,998.43</u>
<b>Exam Supplies</b>			
5532 · Exam Supplies	0.00	0.00	0.00
<b>Total Exam Supplies</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Exam Temporary Staff</b>			
5530-10 · Temp Employees - May	0.00	0.00	0.00
5530-20 · Temp Employees - Nov	0.00	0.00	0.00
<b>Total Exam Temporary Staff</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Investigation &amp; Hearing Costs</b>			
5220 · Investigator Fees	0.00	0.00	0.00
5221 · Staff Investigation Costs	16.50	0.00	16.50
5222 · Investigation Materials	2,623.92	4,791.65	-2,167.73
5230 · Hearing Costs	6,644.64	2,083.35	4,561.29
5231 · Rule-Making Hearing Costs	0.00	0.00	0.00
5232 · Legal Advertising	0.00	0.00	0.00
5250 · Administrative Cost Assessed	-1,500.00	-1,041.65	-458.35
5260 · Civil Penalties Assessed	-5,200.00	-3,125.00	-2,075.00
5261 · Civil Penalties Remitted	4,178.18	0.00	4,178.18
<b>Total Investigation &amp; Hearing Costs</b>	<u>6,763.24</u>	<u>2,708.35</u>	<u>4,054.89</u>
<b>Legal Expense</b>			
5140 · Legal Counsel - Administrative	12,504.00	15,000.00	-2,496.00
5141 · Legal Counsel - Spec Projects	0.00	0.00	0.00
5210 · Legal Counsel - Prof Standards	0.00	0.00	0.00
5211 · Legal Counsel - Litigation	8,174.61	10,000.00	-1,825.39
<b>Total Legal Expense</b>	<u>20,678.61</u>	<u>25,000.00</u>	<u>-4,321.39</u>
<b>Misc Personnel</b>			
5034 · Misc. Payroll Deduction	0.00	625.00	-625.00
5037 · HSA Deduction	100.00	0.00	100.00
5090 · Flowers, Gifts, Etc.	302.58	0.00	302.58
5091 · Staff Recruiting	0.00	0.00	0.00
5092 · Misc. Personnel Costs	339.37	1,250.00	-910.63
<b>Total Misc Personnel</b>	<u>741.95</u>	<u>1,875.00</u>	<u>-1,133.05</u>
<b>Office Expense</b>			
5436 · Contracted Copy Service	1,235.16	0.00	1,235.16
5301 · Equipment Rent	312.00	400.00	-88.00
5310 · Decorations	0.00	0.00	0.00
5320 · Payroll Service	729.79	833.35	-103.56
5360 · Telephone	2,069.07	2,916.65	-847.58
5361 · Internet & Website	2,449.45	2,083.35	366.10
5390 · Clipping Service	1,183.52	1,666.65	-483.13
5400 · Computer Prog/Assistance	3,555.92	2,083.35	1,472.57
5405 · Computer Software Maintenance	26,283.91	22,916.65	3,367.26
5410 · Dues	7,730.00	8,200.00	-470.00
5420 · Insurance	9,020.00	16,800.00	-7,780.00
5430 · Audit Fees	8,990.00	8,990.00	0.00

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NC Board of CPA Examiners  
**Statement of Revenues & Expense - Budget v. Actual**  
 April 2016 through August 2016

	Apr - Aug 16	Budget	\$ Over Bud...
5435 · Consulting Services	0.00	416.65	-416.65
5440 · Misc Office Expense	600.00	1,400.00	-800.00
5445 · Banking Fees	2,688.96	1,458.35	1,230.61
5450 · Credit Card Fees	40,460.17	21,666.65	18,793.52
<b>Total Office Expense</b>	<b>107,307.95</b>	<b>91,831.65</b>	<b>15,476.30</b>
<b>Per Diem - Board</b>			
5110 · Per Diem - Board Meetings	5,850.00	6,000.00	-150.00
5111 · Per Diem - Prof Meetings	250.00	1,666.65	-1,416.65
5112 · Per Diem - NASBA Annual	0.00	0.00	0.00
5113 · Per Diem - NASBA Regional	2,100.00	2,800.00	-700.00
5114 · Per Diem - NASBA Committees	200.00	0.00	200.00
5115 · Per Diem - AICPA/NASBA	0.00	0.00	0.00
5116 · Per Diem - NCACPA Annual	0.00	800.00	-800.00
5117 · Per Diem - NCACPA/Board	100.00	200.00	-100.00
5118 · Per Diem - AICPA Committees	0.00	0.00	0.00
5119 · Per Diem - Miscellaneous	0.00	200.00	-200.00
5130 · Clerical Reimbursement	0.00	0.00	0.00
5135 · Per Diem - NASBA CPE	0.00	0.00	0.00
<b>Total Per Diem - Board</b>	<b>8,500.00</b>	<b>11,666.65</b>	<b>-3,166.65</b>
<b>Postage</b>			
5345 · Postage - UPS	2,000.00	4,000.00	-2,000.00
5340 · Postage - Other	2,201.88	8,125.00	-5,923.12
5341 · Postage - Newsletter	27,000.00	29,583.35	-2,583.35
5342 · Postage - Business Reply	600.00	1,041.65	-441.65
5343 · Postage - Renewal	720.00	833.35	-113.35
5344 · Postage - Rulebook	0.00	0.00	0.00
<b>Total Postage</b>	<b>32,521.88</b>	<b>43,583.35</b>	<b>-11,061.47</b>
<b>Printing</b>			
5330 · Printing - Other	1,247.80	2,916.65	-1,668.85
5331 · Printing - Newsletter	22,334.83	27,083.35	-4,748.52
5332 · Printing - Certificates	471.00	0.00	471.00
5333 · Printing - Renewal	0.00	0.00	0.00
5334 · Printing - Rulebook	0.00	0.00	0.00
5335 · Mailing Label Printing	0.00	0.00	0.00
<b>Total Printing</b>	<b>24,053.63</b>	<b>30,000.00</b>	<b>-5,946.37</b>
<b>Repairs &amp; Maintenance</b>			
5380 · Repairs - Misc.	0.00	0.00	0.00
5381 · Maintenance - Copiers	454.76	1,041.65	-586.89
5382 · Maintenance - Computer	766.64	625.00	141.64
5383 · Maintenance - Postage	490.00	416.65	73.35
<b>Total Repairs &amp; Maintenance</b>	<b>1,711.40</b>	<b>2,083.30</b>	<b>-371.90</b>

NC Board of CPA Examiners

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**Statement of Revenues & Expense - Budget v. Actual**

April 2016 through August 2016

	Apr - Aug 16	Budget	\$ Over Bud...
<b>Salaries &amp; Payroll Taxes</b>			
5040 · State Unemployment Tax	0.00	0.00	0.00
5010 · Staff Salaries	380,097.03	393,015.55	-12,918.52
5020 · Part-Time Staff Salaries	4,767.38	7,077.10	-2,309.72
5021 · Temporary Contractors	0.00	0.00	0.00
5030 · FICA Taxes	29,281.09	30,658.03	-1,376.94
<b>Total Salaries &amp; Payroll Taxes</b>	<b>414,145.50</b>	<b>430,750.68</b>	<b>-16,605.18</b>
<b>Scholarships</b>			
5535 · Scholarship	0.00	0.00	0.00
<b>Total Scholarships</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Staff Travel</b>			
5060 · Staff Travel - Local	247.50	1,062.50	-815.00
5061 · Staff Travel - Prof Mtgs	2,092.28	1,645.85	446.43
5062 · Staff Travel - NASBA CPE	0.00	0.00	0.00
5063 · Staff Travel - NASBA Ethics	0.00	0.00	0.00
5070 · Staff Travel - NASBA Annual	0.00	0.00	0.00
5071 · Staff Travel - NASBA Regional	3,383.64	3,544.00	-160.36
5072 · Staff Travel - NASBA ED/Legal	-635.96	0.00	-635.96
5073 · Staff Travel - NASBA Committee	0.00	0.00	0.00
5074 · Staff Travel - AICPA	0.00	0.00	0.00
5075 · Staff Travel - NCACPA Meetings	0.00	833.35	-833.35
5076 · Staff Travel - NCACPA/Board	806.28	625.00	181.28
5077 · Staff Travel - Clear Conference	1,293.08	0.00	1,293.08
5078 · Staff Travel - Vehicle	0.00	0.00	0.00
5080 · Staff Travel - Univ Dialogue	0.00	0.00	0.00
<b>Total Staff Travel</b>	<b>7,186.82</b>	<b>7,710.70</b>	<b>-523.88</b>
<b>Subscriptions/References</b>			
5370 · Subscriptions/References	345.07	1,250.00	-904.93
<b>Total Subscriptions/References</b>	<b>345.07</b>	<b>1,250.00</b>	<b>-904.93</b>
<b>Supplies</b>			
5350 · Supplies - Office	2,183.98	1,875.00	308.98
5351 · Supplies - Copier	1,902.20	1,770.85	131.35
5352 · Supplies - Computer	365.94	1,354.15	-988.21
5353 · Supplies - Special Projects	0.00	0.00	0.00
<b>Total Supplies</b>	<b>4,452.12</b>	<b>5,000.00</b>	<b>-547.88</b>
5920 · Funded Depreciation	0.00	0.00	0.00
6999 · Uncategorized Expenses	0.00	0.00	0.00
9999 · Suspense	0.00	0.00	0.00
<b>Total Expense</b>	<b>1,241,623.59</b>	<b>1,254,409.73</b>	<b>-12,786.14</b>
<b>Net Ordinary Income</b>	<b>735,888.18</b>	<b>686,740.17</b>	<b>49,148.01</b>
<b>Other Income/Expense</b>			
<b>Other Income</b>			
8250 · Gift Card Revenue	0.00	4,000.00	-4,000.00

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**Statement of Revenues & Expense - Budget v. Actual**

April 2016 through August 2016

	<u>Apr - Aug 16</u>	<u>Budget</u>	<u>\$ Over Bud...</u>
<b>Interest Income</b>			
8500 · Interest Income - MMAs	1,463.22	0.00	1,463.22
8505 · Interest Income - BB&T BUS IDA	0.00	0.00	0.00
8510 · Interest Income - CDs	7,058.00	8,333.35	-1,275.35
8520 · Interest Income - Prudential TB	0.00	0.00	0.00
8530 · Interest Income - Wachovia MM	0.00	0.00	0.00
<b>Total Interest Income</b>	<u>8,521.22</u>	<u>8,333.35</u>	<u>187.87</u>
8200 · Rental Income	13,535.84	13,536.00	-0.16
8920 · Gain on Sale of Fixed Assets	514.55	0.00	514.55
8921 · Loss on Sale of Fixed Assets	0.00	0.00	0.00
<b>Total Other Income</b>	<u>22,571.61</u>	<u>25,869.35</u>	<u>-3,297.74</u>
<b>Other Expense</b>			
7000 · Leasing Commission	1,892.48	0.00	1,892.48
<b>Total Other Expense</b>	<u>1,892.48</u>	<u>0.00</u>	<u>1,892.48</u>
<b>Net Other Income</b>	<u>20,679.13</u>	<u>25,869.35</u>	<u>-5,190.22</u>
<b>Change in Net Assets</b>	<u><u>756,567.31</u></u>	<u><u>712,609.52</u></u>	<u><u>43,957.79</u></u>

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NC Board of CPA Examiners  
**Statement of Revenues & Expenses**  
 Year-to-Date Comparison

	<u>Apr - Aug 16</u>	<u>Apr - Aug 15</u>
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
<b>Certificate Fees</b>		
4110 · Certificates - Initial	23,400.00	25,200.00
4120 · Certificates - Reciprocal	13,000.00	12,700.00
4140 · Certificates - Renewal Fees	1,234,380.00	1,203,360.00
4150 · Certificates - Reinst/Revoked	800.00	1,200.00
4151 · Certificates - Reinst/Surr	3,100.00	2,500.00
<b>Total Certificate Fees</b>	<u>1,274,680.00</u>	<u>1,244,960.00</u>
<b>Exam Fee Revenue</b>		
4001 · Initial Adm Fees	103,270.00	85,330.00
4002 · Re-Exam Adm Fees	82,125.00	73,125.00
4004 · Exam Fees Revenue	529,673.74	470,316.81
4070 · Transfer Exam Grade Credit	0.00	75.00
4071 · Exam Review Fees	0.00	0.00
4072 · Exam Scholarship Coupon	-14,731.60	-2,877.24
<b>Total Exam Fee Revenue</b>	<u>700,337.14</u>	<u>625,969.57</u>
<b>Misc</b>		
4999 · Board Training	0.00	0.00
4970 · Duplicate Certificates	400.00	400.00
4990 · Miscellaneous	529.63	244.50
<b>Total Misc</b>	<u>929.63</u>	<u>644.50</u>
<b>Partnership Fees</b>		
4260 · Partnership Registration Fees	30.00	0.00
<b>Total Partnership Fees</b>	<u>30.00</u>	<u>0.00</u>
<b>Professional Corporation Fees</b>		
4250 · PC Registration Fees	1,500.00	1,950.00
4251 · PC Renewal Fees	10.00	0.00
4252 · PC Renewal Fees W/Penalties	25.00	0.00
<b>Total Professional Corporation Fees</b>	<u>1,535.00</u>	<u>1,950.00</u>
<b>Total Income</b>	<u>1,977,511.77</u>	<u>1,873,524.07</u>
<b>Expense</b>		
6690 · Over & Short	0.60	0.00
<b>Fringe Benefits</b>		
5031 · Retirement - NCLB Contribution	22,805.49	22,119.92
5033 · Retirement - NCLB Administr	5,614.81	1,069.77
5035 · Health Ins. Premiums	44,864.22	48,175.13
5036 · Medical Reim Plan	7,948.73	10,573.31
<b>Total Fringe Benefits</b>	<u>81,233.25</u>	<u>81,938.13</u>

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NC Board of CPA Examiners  
**Statement of Revenues & Expenses**  
 Year-to-Date Comparison

	<u>Apr - Aug 16</u>	<u>Apr - Aug 15</u>
<b>Board Travel</b>		
5120 · Board Travel - Board Meetings	9,407.76	7,340.89
5121 · Board Travel - Prof Meetings	14.00	41.00
5122 · Board Travel - NASBA Annual	379.46	939.60
5123 · Board Travel - NASBA Regional	8,134.03	4,084.04
5127 · Board Travel - NCACPA/Board	2,981.53	1,548.55
5129 · Miscellaneous Board Costs	0.00	1,009.57
<b>Total Board Travel</b>	<u>20,916.78</u>	<u>14,963.65</u>
<b>Building Expenses</b>		
5800 · Building Maintenance	2,632.17	212.32
5801 · Electricity	4,763.28	4,908.75
5802 · Grounds Maintenance	700.00	1,760.00
5803 · Heat & Air Maintenance	606.00	3,574.93
5807 · Janitorial Maintenance	2,425.66	2,375.00
5808 · Pest Control Service	0.00	150.00
5809 · Security & Fire Alarm	2,448.00	2,320.38
5810 · Trash Collection	-313.18	342.81
5811 · Water & Sewer	493.63	343.47
<b>Total Building Expenses</b>	<u>13,755.56</u>	<u>15,987.66</u>
<b>Continuing Education -Staff</b>		
5050 · Continuing Education - Staff	394.85	1,361.50
5051 · Continuing Education - RNB	102.60	0.00
<b>Total Continuing Education -Staff</b>	<u>497.45</u>	<u>1,361.50</u>
<b>Exam Postage</b>		
5531 · Exam Postage	480.00	360.00
<b>Total Exam Postage</b>	<u>480.00</u>	<u>360.00</u>
<b>Exam Sitting and Grading</b>		
5538 · Exam Vendor Expense	496,331.78	427,377.10
<b>Total Exam Sitting and Grading</b>	<u>496,331.78</u>	<u>427,377.10</u>
<b>Investigation &amp; Hearing Costs</b>		
5221 · Staff Investigation Costs	16.50	100.00
5222 · Investigation Materials	2,623.92	5,369.56
5230 · Hearing Costs	6,644.64	445.88
5231 · Rule-Making Hearing Costs	0.00	398.80
5250 · Administrative Cost Assessed	-1,500.00	-18,600.00
5260 · Civil Penalties Assessed	-5,200.00	-56,500.00
5261 · Civil Penalties Remitted	4,178.18	32,508.90
<b>Total Investigation &amp; Hearing Costs</b>	<u>6,763.24</u>	<u>-36,276.86</u>
<b>Legal Expense</b>		
5140 · Legal Counsel - Administrative	12,504.00	14,000.00
5211 · Legal Counsel - Litigation	8,174.61	15,090.15
<b>Total Legal Expense</b>	<u>20,678.61</u>	<u>29,090.15</u>

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NC Board of CPA Examiners  
**Statement of Revenues & Expenses**  
 Year-to-Date Comparison

	<u>Apr - Aug 16</u>	<u>Apr - Aug 15</u>
<b>Misc Personnel</b>		
5034 · Misc. Payroll Deduction	0.00	0.00
5037 · HSA Deduction	100.00	0.00
5090 · Flowers, Gifts, Etc.	302.58	0.00
5092 · Misc. Personnel Costs	339.37	343.84
<b>Total Misc Personnel</b>	<b>741.95</b>	<b>343.84</b>
<b>Office Expense</b>		
5436 · Contracted Copy Service	1,235.16	300.80
5301 · Equipment Rent	312.00	468.00
5320 · Payroll Service	729.79	700.30
5360 · Telephone	2,069.07	2,058.96
5361 · Internet & Website	2,449.45	1,814.45
5390 · Clipping Service	1,183.52	1,071.51
5400 · Computer Prog/Assistance	3,555.92	1,110.00
5405 · Computer Software Maintenance	26,283.91	16,049.88
5410 · Dues	7,730.00	7,665.00
5420 · Insurance	9,020.00	9,020.00
5430 · Audit Fees	8,990.00	8,730.00
5440 · Misc Office Expense	600.00	525.00
5445 · Banking Fees	2,688.96	971.09
5450 · Credit Card Fees	40,460.17	36,516.58
<b>Total Office Expense</b>	<b>107,307.95</b>	<b>87,001.57</b>
<b>Per Diem - Board</b>		
5110 · Per Diem - Board Meetings	5,850.00	4,600.00
5111 · Per Diem - Prof Meetings	250.00	0.00
5113 · Per Diem - NASBA Regional	2,100.00	400.00
5114 · Per Diem - NASBA Committees	200.00	450.00
5117 · Per Diem - NCACPA/Board	100.00	500.00
<b>Total Per Diem - Board</b>	<b>8,500.00</b>	<b>5,950.00</b>
<b>Postage</b>		
5345 · Postage - UPS	2,000.00	8,900.00
5340 · Postage - Other	2,201.88	1,620.09
5341 · Postage - Newsletter	27,000.00	28,400.00
5342 · Postage - Business Reply	600.00	450.00
5343 · Postage - Renewal	720.00	540.00
<b>Total Postage</b>	<b>32,521.88</b>	<b>39,910.09</b>
<b>Printing</b>		
5330 · Printing - Other	1,247.80	1,717.68
5331 · Printing - Newsletter	22,334.83	14,564.96
5332 · Printing - Certificates	471.00	0.00
<b>Total Printing</b>	<b>24,053.63</b>	<b>16,282.64</b>
<b>Repairs &amp; Maintenance</b>		
5381 · Maintenance - Copiers	454.76	416.21
5382 · Maintenance - Computer	766.64	0.00
5383 · Maintenance - Postage	490.00	0.00
<b>Total Repairs &amp; Maintenance</b>	<b>1,711.40</b>	<b>416.21</b>

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NC Board of CPA Examiners  
**Statement of Revenues & Expenses**  
 Year-to-Date Comparison

	<u>Apr - Aug 16</u>	<u>Apr - Aug 15</u>
<b>Salaries &amp; Payroll Taxes</b>		
5040 · State Unemployment Tax	0.00	1,075.89
5010 · Staff Salaries	380,097.03	368,918.16
5020 · Part-Time Staff Salaries	4,767.38	6,150.51
5021 · Temporary Contractors	0.00	290.00
5030 · FICA Taxes	29,281.09	28,718.24
<b>Total Salaries &amp; Payroll Taxes</b>	<u>414,145.50</u>	<u>405,152.80</u>
<b>Scholarships</b>		
5535 · Scholarship	0.00	6,000.00
<b>Total Scholarships</b>	<u>0.00</u>	<u>6,000.00</u>
<b>Staff Travel</b>		
5060 · Staff Travel - Local	247.50	313.14
5061 · Staff Travel - Prof Mtgs	2,092.28	1,049.00
5070 · Staff Travel - NASBA Annual	0.00	1,580.00
5071 · Staff Travel - NASBA Regional	3,383.64	5,347.45
5072 · Staff Travel - NASBA ED/Legal	-635.96	-239.20
5075 · Staff Travel - NCACPA Meetings	0.00	93.70
5076 · Staff Travel - NCACPA/Board	806.28	0.00
5077 · Staff Travel - Clear Conference	1,293.08	0.00
<b>Total Staff Travel</b>	<u>7,186.82</u>	<u>8,144.09</u>
<b>Subscriptions/References</b>		
5370 · Subscriptions/References	345.07	593.50
<b>Total Subscriptions/References</b>	<u>345.07</u>	<u>593.50</u>
<b>Supplies</b>		
5350 · Supplies - Office	2,183.98	2,594.16
5351 · Supplies - Copier	1,902.20	597.60
5352 · Supplies - Computer	365.94	1,500.07
<b>Total Supplies</b>	<u>4,452.12</u>	<u>4,691.83</u>
9999 · Suspense	0.00	0.00
<b>Total Expense</b>	<u>1,241,623.59</u>	<u>1,109,287.90</u>
<b>Net Ordinary Income</b>	735,888.18	764,236.17
<b>Other Income/Expense</b>		
<b>Other Income</b>		
8250 · Gift Card Revenue	0.00	10,300.00
<b>Interest Income</b>		
8500 · Interest Income - MMAs	1,463.22	1,046.89
8510 · Interest Income - CDs	7,058.00	6,410.50
<b>Total Interest Income</b>	<u>8,521.22</u>	<u>7,457.39</u>
8200 · Rental Income	13,535.84	13,659.75
8920 · Gain on Sale of Fixed Assets	514.55	0.00
<b>Total Other Income</b>	<u>22,571.61</u>	<u>31,417.14</u>

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NC Board of CPA Examiners  
**Statement of Revenues & Expenses**  
Year-to-Date Comparison

	<u>Apr - Aug 16</u>	<u>Apr - Aug 15</u>
<b>Other Expense</b>		
7000 - Leasing Commission	1,892.48	0.00
<b>Total Other Expense</b>	<u>1,892.48</u>	<u>0.00</u>
<b>Net Other Income</b>	<u>20,679.13</u>	<u>31,417.14</u>
<b>Change in Net Assets</b>	<u><b>756,567.31</b></u>	<u><b>795,653.31</b></u>

- September 19, 2016 - continued discussion on the draft rules
- October 27, 2016 - proposed rules presented and voted on to send to the Rules Review Commission (RRC) for publication in the NC Register
- November 7, 2016 – filing deadline for publication in the NC Register
- December 1, 2016 – published in the NC Register
- December 19, 2017 – public rule-making hearing
- January 30, 2017 – public comment period ends
- February 20, 2017 – final action by the Board on the proposed rules
- March 20, 2017 – file rules with the RRC
- April 20, 2017 – review by the RRC at its meeting
- May 1, 2017 – effective date of rules

1 **21 NCAC 08A .0301 DEFINITIONS**

2  
3 (a) The definitions set out in G.S. 93-1(a) apply when those defined terms are used in this Chapter.

4 (b) In addition to the definitions set out in G.S. 93-1(a), the following definitions apply when these terms are used  
5 in this Chapter:

- 6 (1) "Active," when used to refer to the status of a person, describes a person who possesses a North  
7 Carolina certificate of qualification and who has not otherwise been granted ~~"Inactive"~~ inactive  
8 status;
- 9 (2) "Agreed-upon procedures" means a professional service whereby a CPA is engaged to issue a  
10 report of findings based on specific procedures performed on identified subject matter;
- 11 (3) "AICPA" means the American Institute of Certified Public Accountants;
- 12 (4) "Applicant" means a person who has applied to take the CPA examination or applied for a  
13 certificate of qualification;
- 14 (5) "Attest service" means a professional service whereby a CPA in the practice of public accounting  
15 is engaged to issue or does issue:
- 16 (A) any audit or engagement to be performed in accordance with the Statements on Auditing  
17 Standards, Statements on Generally Accepted Governmental Auditing Standards, Public  
18 Company Accounting Oversight Board Auditing Standards, and International Standards  
19 on Auditing;
- 20 (B) any review ~~or~~ engagement to be performed in accordance with the Statements on  
21 Standards for Accounting and Review Services;
- 22 (C) any compilation ~~or~~ engagement to be performed in accordance with the Statements on  
23 Standards for Accounting and Review Services; or
- 24 (D) any engagement to be performed in accordance with the Statements on Standards for  
25 Attestation Engagements;
- 26 (6) "Audit" means a professional service whereby a CPA is engaged to examine financial statements,  
27 items, accounts, or elements of a financial statement prepared by management, in order to express  
28 an opinion on whether the financial statements, items, accounts, or elements of a financial  
29 statement are presented in conformity with an applicable reporting framework, that enhances the  
30 degree of confidence that intended users can place on the financial statements, items, accounts, or  
31 elements of a financial statement;
- 32 (7) "Calendar year" means the 12 months beginning January 1 and ending December 31;
- 33 (8) "Candidate" means a person whose application to take the CPA examination has been accepted by  
34 the Board and who may sit for the CPA examination;
- 35 (9) "Client" means a person or an entity who orally or in writing agrees with a licensee to receive any  
36 professional services performed or delivered;
- 37 (10) "Commission" means compensation, except a referral fee, for recommending or referring any  
38 product or service to be supplied by another person;
- 39 (11) "Compilation" means a professional service whereby a CPA is engaged to present, in the form of  
40 financial statements, information that is the representation of management without undertaking to  
41 express any assurance on the statements;
- 42 (12) "Contingent fee" means a fee established for the performance of any service pursuant to an  
43 arrangement in which no fee will be charged unless a specified finding or result is attained, or in  
44 which the amount of the fee is otherwise dependent upon the finding or result of such service;
- 45 (13) "CPA" means certified public accountant;
- 46 (14) "CPA firm" means a sole proprietorship, a partnership, a professional corporation, a professional  
47 limited liability company, or a registered limited liability partnership that uses ~~"certified public~~  
48 ~~accountant(s)"~~ certified public accountant(s) or "CPA(s)" CPA(s) in or with its name or offers to  
49 or renders any attest services in the public practice of accountancy;
- 50 (15) "CPE" means continuing professional education;
- 51 (16) "Disciplinary action" means revocation, ~~or~~ suspension of, or refusal to grant a certificate, or the  
52 imposition of a reprimand, probation, constructive comment, or any other penalty or condition;
- 53 (17) "FASB" means the Financial Accounting Standards Board;
- 54 (18) "Firm network" means an association of entities that includes one or more firms that cooperate for  
55 the purpose of enhancing the firms' capabilities to provide professional services and share one or  
56 more of the following characteristics:

- 1 (A) the use of a common brand name, including initials, as part of the firm name;  
2 (B) common control among the firms through ownership, management, or other means;  
3 (C) profits or costs, excluding costs of operating the association; costs of developing audit  
4 methodologies, manuals, and training courses; and other costs that are immaterial to the  
5 firm;  
6 (D) common business strategy that involves ongoing collaboration amongst the firms  
7 whereby the firms are responsible for implementing the association's strategy and are  
8 accountable for performance pursuant to that strategy;  
9 (E) significant part of professional resources; or  
10 (F) common quality control policies and procedures that firms are required to implement and  
11 that are monitored by the association;
- 12 (19) "GASB" means the Governmental Accounting Standards Board;  
13 (20) "Inactive," when used to refer to the status of a person, describes a person who has requested  
14 inactive status and has been approved by the Board and who does not use the title "~~certified public~~  
15 ~~accountant,~~ certified public accountant, nor does he or she allow anyone to refer to him or her as  
16 a "~~certified public accountant,~~ certified public accountant, and neither he nor she nor anyone else  
17 refers to him or her in any representation as described in Rule .0308(b) of this Section;
- 18 (21) "IRS" means the Internal Revenue Service.  
19 (22) "Jurisdiction" means any state or territory of the United States or the District of Columbia;  
20 (23) "License year" means the 12 months beginning July 1 and ending June 30;  
21 (24) "Member of a CPA firm" means any CPA who has an equity ownership interest in a CPA firm;  
22 (25) "NASBA" means the National Association of State Boards of Accountancy;  
23 (26) "NCACPA" means the North Carolina Association of Certified Public Accountants;  
24 (27) "North Carolina office" means any office physically located in North Carolina;  
25 (28) "Person" means any natural person, corporation, partnership, professional limited liability  
26 company, registered limited liability partnership, unincorporated association, or other entity;  
27 (29) "Professional" means arising out of or related to the particular knowledge or skills associated with  
28 CPAs;  
29 (30) "Referral fee" means compensation for recommending or referring any service of a CPA to any  
30 person;  
31 (31) "Revenue Department" means the North Carolina Department of Revenue;  
32 (32) "Review" means a professional service whereby a CPA is engaged to perform procedures, limited  
33 to analytical procedures and inquiries, to obtain a reasonable basis for expressing limited  
34 assurance on whether any material modifications should be made to the financial statements for  
35 them to be in conformity with generally accepted accounting principles or other comprehensive  
36 basis of accounting;  
37 (33) "Reviewer" means a member of a review team including the review team captain;  
38 (34) "Suspension" means a revocation of a certificate for a specified period of time. A CPA may be  
39 reinstated after a specific period of time if the CPA has met all conditions imposed by the Board at  
40 the time of suspension;  
41 (35) "Trade name" means a name used to designate a business enterprise;  
42 (36) "Work papers" mean the CPA's records of the procedures applied, the tests performed, the  
43 information obtained, and the conclusions reached in attest services, tax services, consulting  
44 services, special report services, or other engagements. Work papers include programs used to  
45 perform professional services, analyses, memoranda, letters of confirmation and representation,  
46 checklists, copies or abstracts of company documents, and schedules of commentaries prepared or  
47 obtained by the CPA. The forms include handwritten, typed, printed, word processed,  
48 photocopied, photographed, and computerized data, or in any other form of letters, words,  
49 pictures, sounds, or symbols; and  
50 (37) "Work product" means the end result of the engagement for the client that may include a tax  
51 return, attest or assurance report, consulting report, and or financial plan. The forms include  
52 handwritten, typed, printed, word processed, photocopied, photographed, and computerized data,  
53 or in any other form of letters, words, pictures, sounds, or symbols.
- 54 (c) Any requirement to comply by a specific date to the Board that falls on a weekend or federal holiday shall be  
55 received as in compliance if postmarked by U.S. Postal Service cancellation by that date, if received by a private  
56 delivery service by that date, or received in the Board office on the next business day.

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*History Note: Authority G.S. 93-1; 93-12; 93-12(3);  
Eff. February 1, 1976;  
Readopted Eff. September 26, 1977;  
Amended Eff. January 1, 2014; February 1, 2011; January 1, 2006; January 1, 2004; April 1,  
1999; August 1, 1998; February 1, 1996; April 1, 1994; September 1, 1992;  
Readopted Eff. February 1, 2016.  
Amended Eff. May, 1, 2017.*

DRAFT

1 21 NCAC 08I .0101 COMPLAINTS

2  
3 (a) Any person may ~~petition~~ file a complaint with the Board against a CPA, pursuant to G.S. 150B ~~the Board for~~  
4 ~~appropriate~~ disciplinary action against a CPA for violations of G.S. 93 and 21 NCAC Chapter 08 on forms provided by  
5 the Board that are on the Board's website at www.nccpaboard.gov and may be requested from the Board.

6 (b) ~~The petition complaint shall set forth in simple language the facts upon which the petition complaint is based. It~~  
7 ~~shall bear an affidavit of the petitioner stating~~ The complainant shall confirm that he or she believes the facts stated in the  
8 petition complaint are true and that he or she is prepared to prove them at a hearing.

9 (c) ~~The petition complaint shall be filed in the office of the Board. The Board's professional standards staff shall open a~~  
10 case file, notify the complainant of receipt of the complaint, notify and provide a copy of the complaint to the respondent  
11 named in the complaint, and conduct any appropriate an investigation of the allegations in the complaint. Based upon ~~its~~  
12 the investigation, the professional standards staff and the recommendation of the Professional Standards Committee of  
13 the Board appointed by the Board President, and with the approval of the Board, the professional standards staff may do  
14 any of the following:

- 15 (1) close the case without prejudice;  
16 (2) close the case with prejudice;  
17 (3) prepare a Consent Order;  
18 (4) apply to the courts for injunctive relief; or  
19 (5) may prepare a proposed Hearing Notice.

20 ~~A The Professional Standards Committee, appointed by the President of the Board, shall determine whether the~~  
21 allegations in a case warrant applying to the courts for injunctive relief and the allegations in the proposed Hearing  
22 Notice, if proven, ~~would warrant a contested case proceeding pursuant to G.S. 150B-38 - 150B-42. A copy of any~~  
23 Hearing Notice filed and application for injunctive relief applied for shall be provided to the complainant in that matter.

24 (d) ~~The Board shall notify the complainant and the respondent in any complaint filed with the Board of the disposition~~  
25 of the case and may shall publish or announce the disciplinary action against a CPA, in such manner and for such period  
26 as it deems appropriate.

27  
28 *History Note: Authority G.S. 55B-12; 93-12(9);*  
29 *Eff. February 1, 1976;*  
30 *Readopted Eff. September 26, 1977;*  
31 *Amended Eff. April 1, 1994; May 1, 1989; June 1, 1985; October 1, 1984;*  
32 *Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. October 28,*  
33 *2014.*  
34 *Amended Eff. May 1, 2017.*  
35

1 **21 NCAC 08N .0203 DISCREDITABLE CONDUCT PROHIBITED**

2  
3 (a) A CPA shall not engage in conduct discreditable to the accounting profession.

4 (b) Prohibited discreditable conduct includes:

- 5 (1) acts that reflect adversely on the CPA's honesty, integrity, trustworthiness, good moral character,  
6 or fitness as a CPA;  
7 (2) stating or implying an ability to improperly influence a governmental agency or official;  
8 (3) failing to comply with any order issued by the Board;  
9 (4) failing to fulfill the terms of a peer review engagement contract;  
10 (5) misrepresentation in reporting CPE credits; ~~or~~  
11 (6) entering into any settlement or other resolution of a dispute that purports to keep its contents  
12 confidential from the Board; ~~;~~ or  
13 (7) failing to participate in a peer review program pursuant to 08M.0105 of this Chapter.

14  
15 *History Note:* Authority G.S. 55B-12; ~~57C-2-01~~; 93-12(3); 93-12(9);  
16 Eff. April 1, 1994;  
17 Amended Eff. January 1, 2014; January 1, 2004; August 1, 1996; May 1, 2017.  
18

DRAFT

1 **21 NCAC 08N .0208 REPORTING CONVICTIONS, JUDGMENTS, AND DISCIPLINARY ACTIONS**

2  
3 (a) Criminal Actions. A CPA shall notify the Board within 30 days of any conviction or finding of guilt of, pleading  
4 of nolo contendere, or receiving a prayer for judgment continued to any criminal offense.

5 (b) Civil Actions. A CPA shall notify the Board within 30 days of any judgment or settlement in a civil suit,  
6 bankruptcy action, administrative proceeding, or binding arbitration that:

7 (1) is grounded upon an allegation of professional negligence, gross negligence, dishonesty, fraud,  
8 misrepresentation, incompetence, or violation of any federal or state tax law; and

9 (2) was brought against either the CPA or a North Carolina office of a CPA firm of which the CPA  
10 was a managing owner.

11 (c) Settlements. A CPA shall notify the Board within 30 days of any written settlement in which a client or former  
12 client releases the CPA from liability -lieu of a civil suit or criminal charge that is grounded upon an allegation of  
13 professional negligence; gross negligence; dishonesty; fraud; misrepresentation; incompetence; or violation of any  
14 federal, state, or local law, regardless of whether the client or former client has filed a civil suit or criminal charge.  
15 Notification shall be required regardless of any confidentiality clause in the settlement.

16 (d) Investigations. A CPA shall notify the Board within 30 days of any inquiry or investigation by the criminal  
17 investigation divisions of the Internal Revenue Service (IRS) or any state department of revenue pertaining to any  
18 personal or business tax matters.

19 (e) Liens. A CPA shall notify the Board within 30 days of the filing of any liens by the Internal Revenue Service  
20 (IRS) or any state department of revenue regarding the failure to pay or apparent failure to pay for any amounts due  
21 for any tax matters.

22  
23 *History Note: Authority G.S. 55B-12; 57D-2-02; 93-12(3); 93-12(9);*  
24 *Eff. April 1, 1994;*  
25 *Amended Eff. January 1, 2014; January 1, 2006; April 1, 2003; April 1, 1999;*  
26 *Readopted Eff. February 1, 2016.*  
27 *Amended Eff. May 1, 2017.*  
28

1 21 NCAC 08N .0305 RETENTION OF CLIENT RECORDS

2  
3 ~~(a) Return Upon Demand. A CPA shall return client records in his or her possession to the client after a demand is~~  
4 ~~made for their return. The records shall be returned upon demand unless circumstances make some delay reasonable~~  
5 ~~in order to retrieve a closed file or to extract the CPA's work papers described in Paragraph (f) of this Rule. If the~~  
6 ~~records cannot be returned upon demand, the CPA shall immediately notify the client of the date the records will be~~  
7 ~~returned. Nothing in this Rule shall be interpreted to require a CPA to pay delivery costs when the records are~~  
8 ~~returned to the client.~~

9 ~~(b) Who May Demand Client Records. If the client is a partnership, records shall be returned upon request to any of~~  
10 ~~its general partners. If the client is a limited partnership or a registered limited liability partnership, records shall be~~  
11 ~~returned upon request to its general partner(s) and the managing partner, or his or her designated individual~~  
12 ~~respectively. If the client is a corporation, records shall be returned upon request to its president. If the client is a~~  
13 ~~limited liability company, records shall be returned upon request to the manager. Joint records shall be returned~~  
14 ~~upon request to any party to the record.~~

15 ~~(c) Return of Original Records. If the engagement is terminated prior to completion or the CPA's work product has~~  
16 ~~neither been received nor paid for the by the client, the CPA shall be required to return only those records originally~~  
17 ~~given to the CPA by the client.~~

18 ~~(d) Retention to Force Payment. A CPA shall not retain a client's records in order to force payment of any kind.~~

19 ~~(e) Work Papers Included in Client Records. Work papers are usually the CPA's property and need not be~~  
20 ~~surrendered to the client. However, in some instances work papers may contain data that should be reflected in the~~  
21 ~~client's books and records but for convenience have not been duplicated therein with the result that the client's~~  
22 ~~records are incomplete. In such instances, the portion of the work papers containing such data constitutes part of the~~  
23 ~~client's records, and copies shall be given to the client along with the rest of the client's records. Work papers~~  
24 ~~considered part of the client's records include but are not limited to:~~

- 25 (1) ~~worksheets in lieu of original entry (such as listings and distributions of cash receipts or cash~~  
26 ~~disbursements on columnar work paper);~~  
27 (2) ~~worksheets in lieu of general ledger or subsidiary ledgers, such as accounts receivable, job cost~~  
28 ~~and equipment ledgers, or similar types of depreciation records;~~  
29 (3) ~~all adjusting and closing journal entries and supporting details not fully set forth in the journal~~  
30 ~~entry; and~~  
31 (4) ~~consolidating or combining journal entries and worksheets and supporting detail used in arriving~~  
32 ~~at final figures incorporated in an end product such as financial statements or tax returns.~~

33 ~~(f) Work Papers Belonging to the CPA. Work papers developed by the CPA incident to the performance of an~~  
34 ~~engagement that do not result in changes to the client's records, or are not in themselves part of the records~~  
35 ~~ordinarily maintained by such clients, are the CPA's work papers and are not the property of the client. For example,~~  
36 ~~the CPA may make extensive analyses of inventory or other accounts as part of the selective audit procedures. These~~  
37 ~~analyses are considered to be a part of the CPA's work papers, even if the analyses have been prepared by client~~  
38 ~~personnel at the request of the CPA. Only to the extent these analyses result in changes to the client's records would~~  
39 ~~the CPA be required to furnish the details from the work papers in support of the journal entries recording the~~  
40 ~~changes, unless the journal entries themselves contain all necessary details.~~

41 ~~(g) Reasonable fees for Copies. Nothing in this Rule shall be construed to require the CPA to furnish a client with~~  
42 ~~copies of the client's records already in the client's possession. However, if the client asserts that such records have~~  
43 ~~been lost, or are otherwise not in the client's possession, the CPA shall furnish copies of the records and may charge~~  
44 ~~a reasonable fee.~~

45 ~~(h) Retention of Work Product and Work Papers. A CPA shall ensure that the work product and the work papers~~  
46 ~~created in the performance of an engagement for a client are retained for at least of five years after the date of~~  
47 ~~issuance of the work product unless the CPA is required by law to retain such records for a longer period.~~

48 (a) A CPA shall return client-provided records in the CPA's custody or control to the client at the client's request.  
49 Client provided records are accounting or other records, including hardcopy and electronic reproductions of such  
50 records, belonging to the client that were provided to the CPA by, or on behalf of, the client.

51 (b) Unless a CPA and the client have agreed to the contrary, when a client makes a request for CPA prepared  
52 records or a CPA's work products that are in the CPA's custody or control and that have not previously been  
53 provided to the client, the CPA should respond to the client's request as follows:

- 54 (1) The CPA should provide CPA prepared records relating to a completed and issued work  
55 product to the client, except that such records may be withheld if fees are due to the CPA for  
56 that specific work product; and

- 1           (2) CPA's work products should be provided to the client, except that such work products may  
2 be withheld:  
3           (a) if fees are due to the CPA for the specific work product;  
4           (b) if the work product is incomplete;  
5           (c) if for purposes of complying with professional standards (for example, withholding an  
6 audit report due to outstanding audit issues); or  
7           (d) if threatened or outstanding litigation exists concerning the engagement or CPA's work.  
8 (c) CPA prepared records are accounting or other records that the CPA was not specifically engaged to prepare  
9 and that are not in the client's books and records or are otherwise not available to the client, thus rendering the  
10 client's financial information incomplete. Examples include adjusting, closing, combining, or consolidating journal  
11 entries (including computations supporting such entries) and supporting schedules and documents that the CPA  
12 proposed or prepared as part of an engagement (for example, an audit). CPA's work products are deliverables set  
13 forth in the terms of the engagement, such as tax returns.  
14 (d) Once a CPA has complied with these requirements, he or she is under no ethical obligation to:  
15           (1) comply with any subsequent requests to again provide records or copies of records described  
16 in (a) and (b) of this rule. However, if subsequent to complying with a request, a client  
17 experiences a loss of records due to a natural disaster, the CPA should comply with an  
18 additional request to provide such records; and  
19           (2) retain records for periods that exceed applicable professional standards, state and federal  
20 statutes and regulations, and contractual agreements relating to the service performed.  
21 (e) A CPA who has provided records to an individual designated or held out as the client's representative, such as  
22 the general partner, majority shareholder, or spouse, is not obligated to provide such records to other  
23 individuals associated with the client.  
24 (f) Work papers are the CPA's property, and the CPA is not required to provide such information to the client.  
25 However, state and federal statutes and regulations and contractual agreements may impose additional requirements  
26 on the CPA.  
27 (g) In fulfilling a request for client provided records, CPA prepared records, or a CPA's work products, the CPA  
28 may:  
29           (1) charge the client a fee for the time and expense incurred to retrieve and copy such records and  
30 require that the client pay the fee before the CPA provides the records to the client;  
31           (2) provide the requested records in any format usable by the client. However, the CPA is not required to  
32 convert records that are not in electronic format to electronic format. If the client requests  
33 records in a specific format and the records are available in such format within the CPA's  
34 custody and control, the client's request should be honored. In addition, the CPA is not required  
35 to provide the client with formulas unless the formulas support the client's underlying  
36 accounting or other records or the CPA was engaged to provide such formulas as part of a  
37 completed work product; and  
38           (3) make and retain copies of any records that the CPA returned or provided to the client.  
39 (h) A CPA who is required to return or provide records to the client should comply with the client's request as soon  
40 as practicable but, absent extenuating circumstances, no later than 45 days after the request is made.

41  
42 *History Note: Authority G.S. 55B-12; 57D-2-02; 93-12(9);*  
43 *Eff. April 1, 1994;*  
44 *Amended Eff. January 1, 2006; April 1, 2003;*  
45 *Readopted Eff. February 1, 2016.*  
46 *Amended Eff. May 1, 2017.*  
47

## Summary of Key Changes to Board Rule 21 NCAC 08N .0305 Retention of Client Records:

New rule states that CPA shall provide CPA-prepared records, except that such records may be withheld if fees are due to the CPA for that specific work product. Current Board rule states that a CPA shall not retain a client's records in order to force payment of any kind.

New rule states that if a CPA has previously provided copies of the records per a client request, subsequent requests would only need to be fulfilled if the client experiences a loss of records due to a natural disaster or an act of war. Current Board rules states that if the client asserts that such records have been lost or not in the client's possession, the CPA shall furnish copies of the records and may charge a reasonable fee.

New rule provides that the records are to be returned to the individual designated or held out as the client's representative and provides examples such as the general partner, majority stockholder, or spouse and the CPA is not obligated to provide the records to other individuals associated with the client. Current Board rule provides more specific detail as to who may demand client records and provides that joint records shall be returned upon request to any party to the record.

New rule identifies that the CPA provide the requested records in any format usable by the client and honor the request for an electronic format if the records are maintained in that manner, but does not place the burden on CPA to convert records into a particular format. Current Board rule does not speak to the format in which records must be maintained.

There is no discussion in the new rule as to the retention period of work product and work papers. Current Board rule requires the CPA to ensure that work product and work papers of a client engagement be retained for at least 5 years after the date of issuance of the work product unless required by law to retain such records for a longer period of time.

Cindy Brown's Review of the Difference  
between the AICPA and Board Rule On  
Record Retention

NC vs AICPA Retention of Client Records by CPA		
	AICPA	NC
Client provided records	Cannot retain to collect fee	Cannot retain to collect fee. Return immediately upon demand
Member prepared records part of client records	Provide for completed work product except if fee is due, work product is incomplete, professional issues, threatening litigation	Cannot retain to collect a fee
Member work product		NOT ADDRESSED IN NC LAW
Working papers	Not required to provide working papers to client unless state or federal statute requires it	Not required to provide work papers unless the clients records will not be complete if not returned
Time period	As soon as practicable or 45 days	Immediately unless good reason otherwise and ETA should be provided
Provide records for second time	Not required except if loss is beyond clients control Not required to supply to a second member of the client	NOT Clear - sounds like multiple request by multiple affected parties is required

### Scope of the Rules

Is the rule exactly the same as AICPA Code?	Is the rule similar to AICPA Code with non significant differences?	Is the rule significantly different than the AICPA Code?	AICPA Cite	State Board Cite
NO	NO	YES	1.400.200	21 NCAC 08N.0305
<p><b>Text:</b></p> <ul style="list-style-type: none"> <li>• The Board requires licensees to return client records immediately upon demand, whereas the AICPA Code requires members to return records within 45 days.</li> <li>• The board identifies individuals who may demand client records from a licensee, for example if the client is a corporation the records requested shall be returned to the president. The AICPA Code allows the return of client records to the client representative.</li> <li>• The Board does not permit withholding client records for payment of fees.</li> <li>• The Board's definition of work papers includes similar guidance that the AICPA includes in the definition for member prepared records.</li> <li>• The Board rules also require licensees to retain client records for a minimum of 5 years after the date of issuance of a work product.</li> </ul>				

The above narrative was provided by the AICPA related to its review of the Board's record retention rule. While the AICPA review noted the differences in the rule to be significant, it would be up to Board members to determine the significance of the differences.

1 SECTION 19

2 LICENSEES' WORKING PAPERS; CLIENTS' RECORDS

3  
4 (a) Subject to the provisions of Section 18, all statements, records, schedules, working  
5 papers, and memoranda made by a licensee or a partner, shareholder, officer,  
6 director, member, manager or employee of a licensee, incident to, or in the course  
7 of, rendering services to a client while a licensee except the reports submitted by the  
8 licensee to the client and except for records that are part of the client's records, shall  
9 be and remain the property of the licensee in the absence of an express agreement  
10 between the licensee and the client to the contrary. No such statement, record,  
11 schedule, working paper, or memorandum shall be sold, transferred, or bequeathed,  
12 without the consent of the client or the client's personal representative or assignee,  
13 to anyone other than one or more surviving partners, stockholders, members or new  
14 partners, new stockholders, or new members of the licensee, or any combined or  
15 merged firm or successor in interest to the licensee. Nothing in this Section should  
16 be construed as prohibiting any temporary transfer of workpapers or other  
17 material necessary in the course of carrying out peer reviews or as otherwise  
18 interfering with the disclosure of information pursuant to Section 18.

19  
20 *COMMENT:* It should be noted that this provision, which is a fairly standard one in  
21 accountancy laws, prohibits the transfer of working papers relating to a particular client without  
22 that client's consent in connection with the sale of a practice. The language regarding peer  
23 review is intended to harmonize this section with Section 18 and make it clear that no licensee,  
24 partner, shareholder, officer, director, member, manager or employee of a licensee may withhold  
25 any material that might be needed to perform a peer review nor interfere with any other  
26 disclosure not prohibited by section 18.

27  
28 (b) A licensee shall furnish to a client or former client, upon request and reasonable  
29 notice-

30  
31 (1) A copy of the licensee's working papers, to the extent that such working papers  
32 include records that would ordinarily constitute part of the client's records  
33 and are not otherwise available to the client; and

34  
35 (2) Any accounting or other records belonging to, or obtained from or on behalf  
36 of, the client that the licensee removed from the client's premises or received  
37 for the client's account; the licensee may make and retain copies of such  
38 documents of the client when they form the basis for work done by the  
39 licensee.

40  
41 *COMMENT:* This subsection reflects a commonly recognized ethical obligation. It seems of  
42 sufficient importance to deserve incorporation in the statute.

43  
44 (c) Nothing herein shall require a licensee to keep any workpaper beyond the period  
45 prescribed in any other applicable statute.

1 *COMMENT:* This subsection is designed to make clear that section 19 does not impose any  
2 new record retention requirement. The retention period may be based on the licensee's  
3 professional judgment and any existing law. The term "licensee" as used throughout this Section  
4 also includes those using practice privileges inasmuch as Section 23 grants "all the privileges of  
5 licensees of this state" and requires that anyone using practice privileges automatically consents  
6 "to comply with this Act and the Board's rules."

and any individual licensees employed or contracted by the reviewed firm.

- (d) For good cause shown the Board may grant or renew applications for a reasonable period of time pending completion.

**Rule 7-6 - Internet practice.**

A CPA firm offering or rendering professional services via a Web site shall provide in the Web site's homepage, a name, an address, and principal state of licensure as a means for regulators and the public to contact a responsible licensee in charge at the firm regarding complaints, questions, or regulatory compliance.

**Rule 7-7 - Attest documentation and retention.**

- (a) Licensees shall comply with all professional standards for attest documentation applicable to particular engagements, including, but not limited to standards adopted by recognized standards setting bodies such as the Public Company Accounting Oversight Board (PCAOB), the Comptroller General of the United States, and the Auditing Standards Board.
- (b) If the applicable standards do not otherwise specify, the retention period for attest documentation shall be five (5) years and shall be measured from the report date.
- (c) If attest documentation is required to be kept for longer than provided in the applicable standards or Rule 7-7(b) because of a pending Board investigation or disciplinary action, attest documentation shall not be destroyed until the licensee has been notified in writing by the Board of the closure of a Board investigation or disciplinary proceeding.

**Rule 7-8 - Unregistered firm compliance with applicable compliance assurance requirements.**

Any firm not required to register in this state, but which provides attest services as permitted under Sections 7 and 23 of the Act, shall maintain records as prescribed by Rule 7-5(b) regarding its participation in a comparable Compliance Assurance Program for any period in which the firm provided attest services in this state and shall provide copies of such records upon this Board's written request; provided, however, the Board shall not make such a request except upon good cause.

*Comment: For purposes of this Rule, "good cause" is reasonable cause and not authorization for a notice requirement. Good cause for requesting Compliance Assurance Programs records should be based upon a third party complaint or other evidence of inadequate professional services of the type that would be subject to peer review.*

## From the AICPA Code of Conduct

### 1.400.200 Records Requests

#### *Terminology*

- .01 The following terms are defined here solely for use with this interpretation:
- a. A client includes current and former *clients*.
  - b. A member means the *member* or the *member's firm*.
  - c. Client-provided records are accounting or other records, including hardcopy and electronic reproductions of such records, belonging to the client that were provided to the member by, or on behalf of, the client.
  - d. Member-prepared records are accounting or other records that the member was not specifically engaged to prepare and that are not in the client's books and records or are otherwise not available to the client, thus rendering the client's financial information incomplete. Examples include adjusting, closing, combining, or consolidating journal entries (including computations supporting such entries) and supporting schedules and documents that the member proposed or prepared as part of an engagement (for example, an audit).
  - e. Member's work products are deliverables set forth in the terms of the engagement, such as tax returns.
  - f. Working papers are all other items prepared solely for purposes of the engagement and include items prepared by the
    - i. member, such as audit programs, analytical review schedules, and statistical sampling results and analyses.
    - ii. client at the request of the member and reflecting testing or other work done by the member.

#### *Interpretation*

- .2 Members must comply with the rules and regulations of authoritative regulatory bodies, such as the member's state board(s) of accountancy, when the member performs services for a client and is subject to the rules and regulations of such regulatory body. For example, a member's state board(s) of accountancy may not permit a member to withhold certain records, even though fees are due to the member for the work performed. Failure to comply with the more restrictive provisions of the applicable regulatory body's rules and regulations concerning the return of certain records would constitute a violation of this interpretation.
- .3 The member should return client-provided records in the member's custody or control to the client at the client's request.
- .4 Unless a member and the client have agreed to the contrary, when a client makes a request for member-prepared records or a member's work products that are in the member's custody or control and that have not previously been provided to the client, the member should respond to the client's request as follows:



unless the formulas support the client's underlying accounting or other records or the member was engaged to provide such formulas as part of a completed work product.

c. make and retain copies of any records that the member returned or provided to the client.

- .9 A member who is required to return or provide records to the client should comply with the client's request as soon as practicable but, absent extenuating circumstances, no later than 45 days after the request is made.
- .10 The fact that the statutes of the state in which the member practices grant the member a lien on certain records in his or her custody or control does not relieve the member of his or her obligation to comply with this interpretation. [Prior reference: paragraph .02 of ET section 501]
- .11 A member would be considered in violation of the "Acts Discreditable Rule" [1.400.001] if the member does not comply with the requirements of this interpretation.

**1.400.205 Transfer of Files and Return of Client Records in Sale, Transfer, Discontinuance or Acquisition of a Practice**

***Sale or Transfer of Member's Practice***

- .01 A member or member's firm (member) that sells or transfers all or part of the member's practice to another person, firm, or entity (successor firm) and will no longer retain any ownership in the practice should do all of the following:
- a. Submit a written request to each *client* subject to the sale or transfer, requesting the *client's* consent to transfer its files to the successor firm and, notify the *client* that its consent may be presumed if it does not respond to the member's request within a period of not less than 90 days, unless prohibited by law, including but not limited to the rules and regulations of the applicable state boards of accountancy. The member should not transfer any *client* files to the successor firm until either the *client's* consent is obtained or the 90 days has lapsed, whichever is shorter. The member is encouraged to retain evidence of consent, whether obtained from the *client* or presumed after 90 days.
  - b. With respect to files not subject to the sale or transfer, make arrangements to return any *client* records that the member is required to provide to the *client* as set forth in the "Records Request" interpretation [1.400.200] unless the member and *client* agree to some other arrangement.
- .02 In cases in which the member is unable to contact the *client*, *client* files and records not transferred should be retained in a confidential manner and in accordance with the firm's record retention policy or as required by applicable legal or regulatory requirements, whichever is longer. When practicing before the IRS or other taxing authorities or regulatory bodies, members should ensure compliance with any requirements that are more restrictive.

***Discontinuance of Member's Practice***

- .03 A member who discontinues his or her practice but does not sell or transfer the practice to a successor firm, should do all of the following:
- a. Notify each *client* in writing of the discontinuance of the practice. The member is encouraged to retain evidence of notification made to *clients*. The member is not required to provide notification to former *clients* of the firm.
  - b. Make arrangements to return any *client* records that the member is required to provide to the *client* as set forth in the "Records Request" interpretation [1.400.200] unless the member and *client* agree to some other arrangement.
- .04 In cases in which the member is unable to contact the *client*, *client* files should be retained in a confidential manner and in accordance with the firm's record retention policy or as required by applicable legal or regulatory requirements, whichever is longer. When practicing before the IRS or other taxing authorities or regulatory bodies, members should ensure compliance with any requirements that are more restrictive.

***Acquisition of Practice by a Member***

- .05 A member who acquires all or part of a practice from another person, firm, or entity (predecessor firm) should be satisfied that all *clients* of the predecessor firm subject to the acquisition have, as required in paragraph .01, consented to the member's continuation of *professional services* and retention of any *client* files or records the successor firm retains
- .06 A member will be considered in violation of the "Acts Discreditable Rule" [1.400.001] if the member does not comply with any of the requirements of this interpretation.

***Effective Date***

- .07 This interpretation is effective June 30, 2017. Early implementation is allowed.

Nonauthoritative questions and answers related to form of communication and transfer of client files to another partner in the firm are available in the FAQ document at [www.aicpa.org/InterestAreas/ProfessionalEthics/Resources/Tools/DownloadableDocuments/Ethics-General-FAQs.pdf](http://www.aicpa.org/InterestAreas/ProfessionalEthics/Resources/Tools/DownloadableDocuments/Ethics-General-FAQs.pdf).

## REGIONAL DIRECTORS' FOCUS QUESTIONS

*To State Board Chairs/Presidents, Members and Executive Directors:*

*The input received from our Focus Questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next Board meeting to allow for sufficient time for discussion. Only one set of responses should be submitted per Board. Please submit your Board's responses by October 7, 2016.*

### GENERAL INFORMATION

Board of Accountancy: \*

NC STATE BOARD OF CPA EXAMINERS

Name of person submitting form: \*

Robert N. Brooks

Email: \*

rbrooks@nccpaboard.gov

Phone:

919-733-1425

### QUESTIONS

1. (a) Has your Board received and/or discussed the July AICPA report: "Proposed Evolution of Peer Review Administration: A Supplemental Discussion Paper Seeking Input from State Boards of Accountancy"?

Yes

No

Comments 1(a)

We have received the AICPA Report.

3. What is the most recent step your Board has taken to improve its service to the public?

The Board has developed and is implementing a strategic plan which one of the objectives is exc service to its applicants, candidates, licensees, and the public.

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to about?

We have sent out an RFP to information technology consultants to review all aspects of our information technology platform and to advise us for the present and future.

5. Can NASBA be of any assistance to your Board at this time?

Not at this time.

6. NASBA Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Board Chair
- Input only from Executive Director
- Input only from Board Chair and Executive Director
- Input from all Board Members and Executive Director
- Input from some Board Members and Executive Director
- Input from all Board Members
- Input from some Board Members
- Other (please explain below)



North Carolina State Board of Certified Public Accountant Examiners  
1101 Oberlin Road, Suite 104 • PO Box 12827 • Raleigh NC 27605  
Phone (919) 733-4222 • Facsimile (919) 733-4209 • Web [www.nccpaboard.gov](http://www.nccpaboard.gov)

September 19, 2016

David S. Andrews, Technical Manager  
American Institute of Certified Public Accountants  
AICPA Peer Review Program  
220 Leigh Farm Road  
Durham, North Carolina 27707-8110

Dear Mr. Andrews:

The North Carolina State Board of CPA Examiners (Board) has reviewed the August 11, 2016, Exposure Draft, *Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews* prepared by the AICPA Peer Review Board. The Exposure Draft proposes modifications to the peer review report and representation letter such that must select audits are more clearly identified as being within the scope of the peer review.

This Board is supportive of any effort that provides for greater transparency to the peer review program and its reporting processes; therefore, the Board approves of these modifications.

In the background section of the explanatory memorandum, it was noted that some of the data on peer reviewed firms could not conclusively identify that must-select engagements were included in the firms' most recently accepted peer review. It further states that due to workpaper retention guidelines, the workpapers for those reviews usually are no longer available. This assessment provides further evidence that the current peer review standards, specifically the documentation retention policy that identifies that peer review documentation should not be retained for an extended period of time after the peer review's completion, should be re-examined.

Mirroring the Board's recommendation from its response to the May 23, 2016, Exposure Draft of the same name, consideration should be given to the transparency of the process and revising the policy directive to destroy that documentation within 120 days,

David S. Andrews  
September 19, 2016  
Page 2

or such longer period as applicable, following the completion of the peer review engagement.

The Board is appreciative of the AICPA Peer Review Board's efforts to provide guidance for the peer review process and its impact on the quality of work performed by CPAs in an effort to serve the public interest.

Sincerely,

Michael H. Womble, CPA  
President

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# EXPOSURE DRAFT

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## PROPOSED CHANGES TO THE AICPA STANDARDS FOR PERFORMING AND REPORTING ON PEER REVIEWS

- **Modifications to Peer Review Report to Specifically Disclose the Selection and Review of Single Audits as Must-Select Engagements**
- **Modifications to Representation Letter to Reflect Scope of Engagements Performed and Selected**

**August 11, 2016**

**Comments are requested by September 10, 2016**

**Prepared by the AICPA Peer Review Board for comment from persons interested in the AICPA Peer Review Program**

**Comments should be received by September 10, 2016 and addressed to David S. Andrews, Technical Manager – Peer Review  
AICPA Peer Review Program  
American Institute of Certified Public Accountants  
220 Leigh Farm Road, Durham, NC 27707-8110  
or [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)**

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August 11, 2016

The AICPA Peer Review Board (Board) approved issuance of this exposure draft, which contains proposals for review and comment by the AICPA's membership and other interested parties regarding revisions to the AICPA *Standards for Performing and Reporting on Peer Reviews (Standards)*.

Written comments or suggestions on any aspect of this exposure draft will be appreciated and must meet the following criteria:

- Be received by September 10, 2016
- Should be sent to David S. Andrews at [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)
- Should refer to the specific paragraphs and include supporting reasons for each comment or suggestion
- Should be limited to those items presented in the exposure draft

The exposure draft includes the following:

- An explanatory memorandum of the proposed revisions to the *Standards* and Interpretations. The current *Standards* and Interpretations referenced herein includes revisions approved by the Board through August 11, 2016 that are not effective until reviews commencing on or after January 1, 2017.
- Explanations, background and other pertinent information
- Marked excerpts from the current *Standards* and Interpretations to allow the reader to see all changes
  - Items that are being deleted from the *Standards* and Interpretations are struck through
  - New items are underlined

A copy of this exposure draft and the current *Standards* are also available on the AICPA Peer Review website at <http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx>.

Sincerely,

Anita M. Ford  
Chair, AICPA Peer Review Board

## AICPA Peer Review Board

### Peer Review Board Members 2015 – 2016

Anita M. Ford, Chair  
Jeannine Birmingham  
Brian Bluhm  
Dawn Brenner\*  
William Calder\*  
James Clausell\*  
Albert Denny  
Michael Fawley  
Karen Kerber  
William Lajoie

Michael LeBlanc  
Barbara Lewis\*  
G. Alan Long\*  
Thomas Parry\*  
Andrew Pope\*  
Keith Rowden  
Debra Seefeld  
Martin Shannon  
Todd Shapiro  
Thomas W. Whittle III

*\*Member—Peer Review Board Standards Task Force*

### Non-Peer Review Board Standards Task Force Members 2015 – 2016

Jerry Cross

Heather Trower

### AICPA Staff

Susan S. Coffey  
Senior Vice President  
Public Practice and Global Alliances

James Brackens, Jr.  
Vice President  
Ethics and Practice Quality

Gary Freundlich  
Technical Director  
AICPA Peer Review Program

Frances McClintock  
Associate Director  
AICPA Peer Review Program

Susan Lieberum  
Associate Director  
AICPA Peer Review Program

LaVonne Montague  
Senior Technical Manager  
AICPA Peer Review Program

David S. Andrews  
Technical Manager – Peer Review  
AICPA Peer Review Program

# Explanatory Memorandum

## Introduction

This memorandum provides background on the proposed changes to the AICPA *Standards for Performing and Reporting on Peer Reviews (Standards)* issued by the AICPA Peer Review Board (Board). The proposed changes:

- Modifies the illustrative peer review reports for System Reviews to specifically state that a single audit was selected and reviewed in the scope of a peer review, if applicable
- Modifies firm representation letter to identify the performance of must-select engagement(s) by the firm and the selection and review of such must-select engagements in the scope of the peer review.

This memorandum solicits input on the proposal from all interested parties.

## Background

CPAs take pride in their long-standing commitment to excellence. That commitment includes continued vigilance in delivering accounting and auditing services and protecting the public interest. The AICPA Peer Review Program (Program) monitors the quality of the accounting and auditing practices of the firms enrolled in the Program. This monitoring relies on the integrity of all firms to comply with the peer review enrollment and the peer review scope requirements of the Program.

As we continue our efforts to better identify firm and engagement populations subject to peer review (as discussed in the 6-Point Plan to Improve Audits), we find firms that have not enrolled in peer review as required by AICPA by-laws and certain “must select” engagements omitted from the scope of peer review. Firms that are not enrolled in peer review when required are referred to the AICPA Professional Ethics Division or other appropriate regulatory or enforcement bodies. Firms that omit must select engagements from the scope of peer review have their acceptance letter for that review recalled. In addition, when we determine that firms with a current review that has not yet been accepted omitted must select engagements from their background information we will, depending on the status of the review, contact administering entities, team captains, or technical reviewers to ensure that a must select engagement is selected for review.

During a recent Federal Audit Clearinghouse (FAC) completeness project to determine whether firms that performed engagements subject to the Single Audit Act (Single Audits) were in compliance with peer review requirements, we identified each of the scenarios mentioned above. However, we also noted that some of the data on firms that performed Single Audits could not conclusively identify that such an engagement was included in the firms’ most recently accepted peer review. Due to workpaper retention guidelines, the workpapers for those reviews usually are no longer available. In addition, even though peer review reports disclose the fact that engagements subject to *Government Auditing Standards* were selected, the specific disclosure of the selection of Single Audit engagements is not. Therefore, staff could not rely on peer review

reports to determine if Single Audits were selected. Also, proposed changes to the firm representation letters for system peer reviews provide enhanced accountability by requiring the firm to specify the types of must-select engagements performed by the firm and selected by the peer reviewer for review. .

This Exposure Draft recommends several measures to align with Interpretation 63-1 and provides additional accountability for the performance, selection, and identification of all must-select engagements during peer review. The proposed revisions are as follows:

- The “Required Selections and Considerations” (must-select) paragraph in the system peer review reports should be modified to specify, when appropriate, the selection and review of a Single Audit in the scope of the review.
- The representation letter provided by the firm should be modified for consistency to address all must-select engagements, including single audits, when performed by the firm and selected by the peer reviewer.

## Explanation of Proposed Changes

### Revisions to *Standards* re: Modification of Required Selections and Considerations Paragraph in System Peer Review Reports

The proposed changes to the must-select paragraph in the Illustrative System Peer Reports:

- Appendix C (Standards par. 209)
- Appendix D (Standards par. 210)
- Appendix E (Standards par. 211)
- Appendix G (Standards par. 213)
- Appendix I (Standards par. 215)
- Appendix K (Standards par. 217)

#### Required Selections and Considerations

Engagements selected for review included (engagements performed under *Government Auditing Standards*, including compliance requirements under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organization Control (SOC) 1 and SOC 2 engagements].)

- Appendices C, D, E, G, I, and K related footnotes relative to the Required Selections and Considerations paragraphs of the Illustrative System Peer Review Report

If the firm performs audits of employee benefit plans, engagements performed under *Government Auditing Standards*, including compliance requirements under the Single Audit Act, audits of depository institutions with total assets of \$500 million or greater at the beginning of its fiscal year, audits of carrying broker-

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dealers, examinations or service organizations (Service Organization Control [SOC] 1 and SOC 2) or other engagements required to be selected by the board in interpretation 63-1, the engagement type(s) selected for review should be identified in the report using this paragraph, tailored as applicable. If the reviewer selected an engagement under Government Auditing Standards (excluding engagements subject to the Single Audit Act) and also selected an engagement solely to evaluate the compliance audit requirements under the Single Audit Act, this portion of the sentence should read as follows “Government Auditing Standards, audit(s) of compliance requirements under the Single Audit Act,” etc. For SOC engagements, the paragraph should be tailored to reflect the type(s) selected for review. The paragraph should be tailored to indicate if single or multiple engagements were selected for review (for example, an audit versus audits). If the firm does not perform such engagements, this paragraph is not applicable and not included in the report.

### **Revisions to *Standards* re: Modification in the body of the firm representation letter regarding must-select engagements**

The proposed changes include revisions to:

- Paragraph .208 Appendix B, to add paragraph 8b to the peer reviewer considerations to specifically address must-select engagements performed by the firm and reviewed by the peer reviewer.
- Paragraph .208 Appendix B, to modify the illustrations of firm representation letters to specifically address must-select engagements performed by the firm and reviewed by the peer reviewer.
- Paragraph .208 Appendix B, to modify the illustrations of firm representation letters to refer to and require acknowledgement of “Scope of Work Performed” attachment to the representations letter.

### **Revisions to Interpretations**

None

### **Comment Period**

The comment period for this exposure draft ends on September 10, 2016.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available on the AICPA’s website after September 10, 2016, for a period of one year.

## **Guide for Respondents**

The Board welcomes feedback from all interested parties on this proposal. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording.

Comments and responses should be sent to David S. Andrews, Technical Manager – Peer Review, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 and must be received by September 10, 2016. Respondents can also direct comments and responses to [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org) by September 10, 2016.

## **Effective Date**

Final revisions to the *Standards* will be effective, if approved by the Board, for reviews commencing on or after January 1, 2017.

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# Proposed Revisions

To aid understanding, *Standards* are presented in this section if they contain a proposed revision.

## Peer Review Standards

Note: For reasons of simplicity and brevity, the Illustration of Reports in a System Review below only shows the Required Selections and Considerations paragraph containing proposed revisions which is identical in each of the referenced Appendices.

- **Appendix C (Standards Paragraph .209) Illustration of a Report With a Peer Review Rating of *Pass* in a System Review**
- **Appendix D (Standards Paragraph .210) Illustration of a Report With a Peer Review Rating of *Pass (With a Scope Limitation)* in a System Review**
- **Appendix E (Standards Paragraph .211) Illustration of a Report With a Peer Review Rating of *Pass With Deficiencies* in a System Review**
- **Appendix G (Standards Paragraph .213) Illustration of a Report With a Peer Review Rating of *Pass With Deficiencies (With a Scope Limitation)* in a System Review**
- **Appendix I (Standards Paragraph .215) Illustration of a Report With a Peer Review Rating of *Fail* in a System Review**
- **Appendix K (Standards Paragraph .217) Illustration of a Report With a Peer Review Rating of *Fail (With a Scope Limitation)* in a System Review**

## Illustrations of Reports in a System Review

### Required Selections and Considerations

Engagements selected for review included (engagements performed under *Government Auditing Standards*, [including compliance requirements under the Single Audit Act](#), audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organization Control (SOC) 1 and SOC 2 engagements]).

**Appendices C, D, E, G, I, and K related footnotes to the Required Selections and Considerations paragraphs**

If the firm performs audits of employee benefit plans, engagements performed under *Government Auditing Standards*, including compliance requirements under the Single Audit Act, audits of depository institutions with total assets of \$500 million or greater at the beginning of its fiscal year, audits of carrying broker-dealers, examinations or service organizations (Service Organization Control [SOC] 1 and SOC 2) or other engagements required to be selected by the board in interpretations 63-1, the engagement type(s) selected for review should be identified in the report using this paragraph, tailored as applicable. If the reviewer selected an engagement under Government Auditing Standards (excluding engagements subject to the Single Audit Act) and also selected an engagement solely to evaluate the compliance audit requirements under the Single Audit Act, this portion of the sentence should read as follows “Government Auditing Standards, audit(s) of compliance requirements under the Single Audit Act,” etc. For SOC engagements, the paragraph should be tailored to reflect the type(s) selected for review. The paragraph should be tailored to indicate if single or multiple engagements were selected for review (for example, an audit versus audits). If the firm does not perform such engagements, this paragraph is not applicable and not included in the report.

**Note: For contextual purposes the considerations sections of paragraph .208 of Appendix B are shown in their entirety. In addition, only Illustrations of Firm Representations for system reviews are included. Changes are not being proposed to Firm Representations for Engagement Reviews.**

## **Appendix B**

### **Considerations and Illustrations of Firm Representations**

**.208**

1. The team captain or review captain obtains written representations from management of the reviewed firm to describe matters significant to the peer review in order to assist in the planning and performance of and the reporting on the peer review.
2. The written representations should be obtained for the entire firm and not for each individual engagement the firm performs. Firm management’s refusal to furnish written representations to the team captain or review captain constitutes a failure to cooperate with the peer review program, and the firm would be subject to fair procedures that could result in the firm’s enrollment in the program being terminated (see interpretations). If termination occurs, it may result in an investigation of a possible violation by an appropriate regulatory, monitoring, and enforcement body.
3. On System Reviews, the written representations should be addressed to the team captain (for example, “To John Smith, CPA”). Because the team captain is concerned with events occurring during the peer review period and through the date of his or her peer review report that may require an adjustment to the report or other peer review documents, the representations should be dated the same date as the peer review report.
4. On Engagement Reviews, the representations should be addressed to the review captain (for example, “To John Smith, CPA” or on committee-appointed review team reviews where

appropriate, it may be addressed "To the Review Captain") and dated the same date as the peer review report.

5. The written representations should be signed by individual members of management whom the team captain, review captain or the administering entity believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the representations, the firm, and its system of quality control. Such members of management normally include the managing partner and partner in charge of the firm's system of quality control (this should not be a firm signature).
6. If a representation made by management is contradicted by other information obtained, the team captain or review captain should investigate the circumstances and consider the reliability of the representations made and any effect on the report.
7. The firm is required to make specific representations, as noted in the text that follows. The firm is not prohibited from making additional representations and may tailor the representation letter as it deems appropriate, as long as the minimum applicable representations are made to the team captain or review captain (see interpretations). The team captain or review captain may request additional representations based on the circumstances and nature of the peer review.
8. As of the date of the representation letter and for the peer review year, the firm should do the following:
  - a. Compliance with Rules and Regulations
    - Acknowledge responsibility for complying with the rules and regulations of state boards of accountancy and other regulations
    - Confirm, to the best of its knowledge and belief, that there are no known situations in which the firm or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.
      - If there are known situations of noncompliance, the confirmation should first summarize the situation(s) where management is aware that the firm or its personnel has not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies (including applicable firm and individual licensing requirements in each state in which it practices for the year under review) and, if applicable, how the firm has or is addressing and rectifying situations of noncompliance (see interpretations). The confirmation should be written such that other than the summarized situation(s), to the best of its knowledge and belief, there are no known situations in which the firm or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.
  - b. Completeness of the Engagement Listing
    - State the list of engagements provided to the reviewer:

- Included all engagements with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued
  - Included, but was not limited to, all engagements performed under *Government Auditing Standards*, including compliance requirements under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, examinations of service organizations Service Organizations Control (SOC) 1 and SOC 2 engagements, as applicable
  - For System Reviews, where applicable, state that the firm performed the following must-select engagements for the period covered by the peer review and at least one of each type of must-select engagement that was performed was selected and reviewed by the peer reviewer: engagements performed under *Government Auditing Standards*, including compliance requirements under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, examinations of service organizations Service Organizations Control (SOC) 1 and SOC 2 engagements.
  - For Engagement Reviews, state that the firm does not perform engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under the Public Company Accounting Oversight Board (PCAOB) Standards that are not subject to PCAOB permanent inspection
  - Acknowledge that failure to properly include these engagements on the list could be deemed as failure to cooperate and may result in termination from the Peer Review Program and, if termination occurs, may result in an investigation of a possible violation by the appropriate regulatory, monitoring, and enforcement body
- c. Firm Remediation of Nonconforming Engagements, if applicable
- Confirm it will remediate nonconforming engagements as stated by the firm on the Matter For Further Consideration Form, Finding for Further Consideration Form, or Letter of Response, as applicable.
- d. Communications From Regulatory, Monitoring, or Enforcement Bodies
- State that the firm has discussed significant issues from reports and communications (see interpretations) from regulatory, monitoring and enforcement bodies (see interpretations), with the team captain or review captain, if applicable.
  - State that the firm has provided the team captain or review captain with any other information requested, including communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end.
  - Confirm, to the best of its knowledge and belief, that there are no known restrictions or limitations on the firm's or its personnel's ability to practice public accounting by

regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end OR

- Include a summary of the restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end.

e. Quality Control Materials

- State that it understands the intended uses and limitations of the quality control materials it has developed or adopted.
- For System Reviews, state that it has tailored and augmented the materials as appropriate such that the quality control materials encompass guidance which is sufficient to assist it in conforming with professional standards (including the Statements on Quality Control Standards) applicable to its accounting and auditing practice.
- For Engagement Reviews, state it has tailored and augmented the materials as appropriate such that the quality control materials encompass guidance which is sufficient to assist it in conforming with professional standards (including the Statements on Quality Control Standards) applicable to its accounting practice.

f. Other Representations

- Include other representations requested by the team captain or review captain based on the circumstances and nature of the peer review.

## **Illustration of a Representation Letter That Has No Significant Matters to Report to the Team Captain for a System Review**

(The firm may tailor the language in this illustration and refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the team captain.)

October 31, 20XX

To the [Name of Team Captain]:

We are providing this letter in connection with the peer review of [name of firm] as of the date of this letter and for the year ended June 30, 20XX.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. We confirm, to the best of our knowledge and belief, that there are no known situations in which [name of firm] or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

We have provided a list of all engagements to the team captain with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued as of this the date of this letter. This list appropriately identified and

included, but was not limited to, all engagements performed under *Government Auditing Standards*, including compliance requirements under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (Service Organizations Control [SOC] 1 and SOC 2 engagements), as applicable. We understand that failure to properly include ~~these~~ engagements on the list subject to the scope of the peer review could be deemed as failure to cooperate. We also understand this may result in termination from the Peer Review Program and, if termination occurs, may result in an investigation of a possible violation by the appropriate regulatory, monitoring, and enforcement body.

[For system reviews; customized where applicable] We have completed and issued the following must-select engagements and the peer review team has reviewed at least one of each category:

1. Engagements performed under *Government Auditing Standards*
2. Audits of compliance requirements under the Single Audit Act
3. Audits of employee benefit plans
4. Audits performed under FDICIA
5. Audits of carrying broker-dealers
6. Examinations of service organizations Service Organizations Control (SOC) 1 and SOC 2 engagements

We have discussed significant issues from reports and communications from regulatory, monitoring and enforcement bodies with the team captain, if applicable. We have also provided the team captain with any other information requested, including communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end. We confirm, to the best of our knowledge and belief, that there are no known restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end.

We understand the intended uses and limitations of the quality control materials we have developed or adopted. We have tailored and augmented the materials as appropriate such that the quality control materials encompass guidance that is sufficient to assist us in conforming with professional standards (including the Statements on Quality Control Standards) applicable to our accounting and auditing practice in all material respects.

Sincerely,

[Signature]

**Illustration of a Representation Letter That Has Been Tailored for Significant Matters to Report to the Team Captain for a System Review**

(The firm may tailor the language in this illustration and refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the team captain.)

October 31, 20XX

To [Name of Team Captain]:

We are providing this letter in connection with the peer review of [name of firm] as of the date of this letter and for the year ended June 30, 20XX.

We understand that we are responsible for complying with the rules and regulations of state boards of accountancy and other regulators. Other than the firm not having a practice unit license during the year under review in one state where the firm practices (which has been subsequently obtained), we confirm, to the best of our knowledge and belief, that there are no known situations in which [name of firm] or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

We have provided a list of all engagements to the team captain with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued as of the date of this letter. This list appropriately identified and included, but was not limited to, all engagements performed under *Government Auditing Standards*, including compliance requirements under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (Service Organizations Control [SOC] 1 and SOC 2 engagements), as applicable. We understand that failure to properly include ~~these~~ engagements ordinarily subject to the scope of the peer review on the list could be deemed as failure to cooperate. We also understand this may result in termination from the Peer Review Program and, if termination occurs, may result in an investigation of a possible violation by the appropriate regulatory, monitoring, and enforcement body.

[For system reviews; where applicable] We have completed and issued the following must-select engagements and the peer review team has reviewed at least one of each category:

1. Engagements performed under *Government Auditing Standards*
2. Audits of compliance requirements under the Single Audit Act
3. Audits of employee benefit plans
4. Audits performed under FDICIA
5. Audits of carrying broker-dealers
6. Examinations of service organizations Service Organizations Control (SOC) 1 and SOC 2 engagements

We confirm that we will implement the remedial plans for nonconforming engagements stated in our response to Finding for Further Consideration Forms 1 and 3.

We have discussed significant issues from reports and communications from regulatory, monitoring and enforcement bodies with the team captain, if applicable. We have also provided the team captain with any other information requested, including communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end. Other than the single partner restriction to perform employee benefit plans as determined by the AICPA Professional Ethics Division, we confirm, that to the best of our knowledge and belief, there are no known restrictions or limitations on the firm's or its personnel's ability to practice public accounting within three years preceding the current peer review year-end.

We understand the intended uses and limitations of the quality control materials we have developed or adopted. We have tailored and augmented the materials as appropriate such that the quality control materials encompass guidance that is sufficient to assist us in conforming with professional standards (including the Statements on Quality Control Standards) applicable to our accounting and auditing practice in all material respects.

Sincerely,

# North Carolina State Board of CPA Examiners

## Working Strategic Plan

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### **Executive Summary:**

The North Carolina State Board of CPA Examiners qualifies, monitors, and regulates Certified Public Accountants (CPAs) in the practice of public accountancy, business, industry, government, and education in North Carolina.

The Board's mission is to protect the citizens of the State through licensure and oversight of the CPA profession in the State.

The Board assists CPAs in their performance of the public practice of accountancy and provides assurance to the public and users of financial information that those services are performed to the highest standards.

The Board functions using a value system similar to the CPAs that it regulates; designed to meet the needs of the licensees that it serves as well as protect the interests of the public in the financial marketplace.

The Board is cognizant of changes to the accounting profession that must be constantly weighed in its decision-making processes to ensure that it continues to be efficient and effective in the performance of its regulatory duties.

The Board's critical goals are to:

- Provide timely, quality customer service to all customers of the North Carolina State Board of CPA Examiners.
- Ensure the effective and timely processing of exam applications for candidates desiring to sit for the North Carolina Uniform CPA exam.
- Ensure the effective and timely processing of CPA licensure applications for persons wishing to be North Carolina certified public accountants.
- Ensure the effective and timely processing of regulatory compliance activities for CPAs and CPA firms to ensure public protection of North Carolina consumers.

The Board continues to review its communication methodologies to ensure that Board operations and results are transparent and readily available to CPAs and the interested public.

The Board is created as an agency of the State of North Carolina and consists of seven members appointed by the Governor, five certified public accountants and two persons who are not certified public accountants who shall represent the interest of the public at large.

The Board's major products and services include processing exam applications for the CPA candidates, processing licensure applications for individuals and firms, and protecting the

# North Carolina State Board of CPA Examiners

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interest of the public by performing regulatory compliance duties to ensure that professional accounting services are performed to the highest standards.

The Board's operations are overseen by Executive staff, as directed by the Board members, and is organized into five sections designed to address the goals of the Board. Those sections include:

- Administrative Services – internal operations of Board and customer service
- Communications – maintains Board newsletter, website, social media
- Examinations – processes exam candidate applications
- Licensing – processes certificate applications and oversees CPE activities
- Professional Standards – processes regulatory compliance actions

The Board adopts an annual budget for operations, reviews financial activity on a monthly basis, has an annual audit conducted, and provides numerous operational reports to State government oversight bodies in the normal course of business.

The Board has identified appropriate staffing levels and assigned duties in accordance with the functional expectations of the Board. The Board continues to identify areas of technology that will assist it in performing its duties to allow Board staff to continue to oversee its increasing number of licensees.

### **Authority and Responsibilities:**

The Board was created by and is charged with administering the provisions identified in Chapter 93 of the *North Carolina General Statutes*. Those functions include, but are not limited to:

- To employ staff, legal counsel, and clerical and technical assistance and to incur such other expenses as may be deemed necessary in the performance of its duties and the enforcement of the provisions related to the oversight of the practice of public accountancy in North Carolina.
- To hold written, oral, and computer-based examinations of applicants for certificates of qualification at least once a year, or more often, as may be deemed necessary by the Board.
- To issue certificates of qualification admitting to practice as certified public accountants, each applicant who, having the qualifications herein specified, has passed an examination to the satisfaction of the Board, in "accounting," "auditing," "business law," and other related subjects.

# North Carolina State Board of CPA Examiners

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- To formulate rules for the government of the Board and for the examination of applicants for certificates of qualification admitting such applicants to practice as certified public accountants.
- To have the power to adopt rules of professional ethics and conduct to be observed by certified public accountants in this State and persons exercising the practice privilege authorized by this Chapter.

### **Board Mission Statement:**

The mission of the North Carolina State Board of CPA Examiners is to protect the public by ensuring that persons issued licenses as certified public accountants possess the necessary education, skills, and capabilities, and that they perform competently in the accounting profession.

*In doing so, the Board strives to accomplish:*

- 1) *Promote the reliability of financial and other information used by decision-makers in the conduct of business in the State.*
- 2) *Protect public interests by:*
  - a) *Licensing only those persons that meet initial qualifying levels of education, examination, and experience as well as good moral character for the practice of public accountancy*
  - b) *Ensuring CPA firms meet established criteria before offering or performing professional public accounting services*
  - c) *Ensuring that CPAs and CPA firms continue to demonstrate professionalism, competence, and adherence to ethical behavior in performing professional public accounting services*

### **Board's Vision:**

The Board seeks to:

- Faithfully meet our mandate of public protection
- Be visible and available to the public and our licensees
- Be diverse in gender and ethnicity

# North Carolina State Board of CPA Examiners

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- Be good stewards of our resources
- Provide excellent customer service to our licensees and the public
- Maintain a vigorous and effective enforcement program
- Maintain a CPE program focused on enhancing licensee competence
- Use technology to effectively and efficiently provide services to our licensees and the public

### **Board Values:**

The Board's values define how we will go about the work of fulfilling our mission and achieving our vision. The Board commitment to excellence is demonstrated by the following key values:

- High Ethical Standards and Integrity - *Principles required of our CPA customers that when followed, promote values such as trust, good behavior, fairness, and/or kindness.*
- Service to our Licensees and the Public - *Demonstrating a courteous and assisting attitude when interacting with each customer in reaching their goals*
- Honesty and Fairness – *Acting with openness, impartiality, and consistency*
- Competence – *Knowledge and experience to get the job done*
- Open Transparent Communication – *Achieving an understanding of the Board's regulatory role and performance activities through effective communication means including newsletters, website, social media, etc.*
- Teamwork – *Working effectively with licensees, citizens, oversight agencies, national, state, and local organizations to obtain shared goals*
- Continuous Improvement – *Being able to innovate and change as needed to address the needs of the profession*
- Financial Stewardship – *Effective management of Board resources to accomplish its mission and goals independent of state funding*

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### Significant Influential Factors:

- ❖ There is increasing complexity in the accounting profession, with ever-changing professional standards for most practice areas, but particularly with audit, tax, and firm peer review. The constant change impacts individual CPAs as well as CPA firms as they seek to stay current with professional standards and competitive within the current market structures.
- ❖ There are numerous national and state level organizations that have oversight authority over various niches of the professional practice that contribute to the complexity of the regulatory environment. Federal oversight agencies, state oversight agencies, and national trade organizations compete, as well as conflict, with each other in provide guidance within the accounting profession.
- ❖ There are threats to the strength of the CPA certification as uniformly recognized in the United States due to increasing interest to expand the reach of the CPA licensure process to foreign nationals to serve clients in international settings.
- ❖ The CPA population, due to the “Baby Boomer” era, is aging which leads to an uptick in those persons eligible for retirement/transitioning from CPA firms.
- ❖ Possible declining interest by accounting students in wanting to become CPAs, possibly related to perceived barriers for obtaining licensure such as costs, time commitment, additional educational requirements, etc.
- ❖ Impact on disciplinary actions possibly required due to increased CPA mobility and the varying degrees of regulatory oversight provided by other Boards of Accountancy.
- ❖ Inability to obtain timely and relevant communication of matters of significance impacting the Board’s enforcement activities from oversight entities.
- ❖ Potential threat to Board independent structure based on current ongoing studies by the North Carolina legislature, as well as the editorial climate relative to occupational licensing boards at this time
- ❖ Need to maintain Board importance with newer generation of CPAs through newer technology and social methodologies

# North Carolina State Board of CPA Examiners

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### Board Objectives:

#### Excellent Customer Service:

**To provide excellent customer service to the public and licensees**

Customers Defined: CPAs licensed by the Board

CPA firms

Candidates applying to sit for the NC CPA exam

CPAs practicing mobility in the State

Third Party Complainants on Disciplinary Actions

General Public as a whole outside of the CPA population

Professional Associations such as NASBA, NCACPA, and AICPA

Oversight organizations such as IRS, Federal Agencies, State agencies

National standard setters such as FASB and GASB

**1) The Board assists customers through automated and direct contact methods; therefore, Board staff will continually evaluate and identify methods to enhance overall customer service.**

❖ The Board website is a primary source of information for licensees and the public. Board staff will ensure that website has current information and addresses the needs of its customers.

➤ Board staff will measure website traffic on a quarterly basis to determine most searched items to determine adequacy of information presented as well as the proper placement of those items within website design.

▪ Communication Director to utilize measurement tools for Board website on a quarterly basis (March 31, June 30, September 30, and December 31) to obtain website traffic reports. Communication Director will provide Senior Staff with summary report identifying high traffic areas and proposed website changes to ensure customers can easily find those topics.

➤ Board staff will ensure that customers are able to conduct necessary business in the most direct manner as possible, utilizing online methods where possible.

▪ Licensing Manager to update the CPA individual licensure renewal and CPA firm renewal website links and instructions on an annual basis. CPA individual renewal link will be made available by the last week of March. CPA firm renewal link will be made available by December 1<sup>st</sup>.

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- Licensing Manager to annually review the CPA examination forms (application and related forms) for necessary changes/enhancements. Any language/formatting changes will be provided to the Communication Director for updates such that all updates will be effective by July 1<sup>st</sup> of each year.
  - Licensing Manager to annually review the CPA individual licensing forms (application and related forms) for necessary changes/enhancements. Any language/formatting changes will be provided to the Communication Director for updates such that all updates will be effective by July 1<sup>st</sup> of each year.
  - Licensing Manager to annually review the CPA firm licensing forms (application and related forms) for necessary changes/enhancements. Any language/formatting changes will be provided to the Communication Director for updates such that all updates will be effective by July 1<sup>st</sup> of each year.
  - Staff Attorney to annually review the Consumer complaint form to ensure that it complies with statutory requirements and provides adequate means for the general public to file a complaint with the Board. Any language/formatting changes will be provided to the Communication Director such that all updates will be effective by January 1<sup>st</sup> of each year.
- ❖ Provide customer base with web-based tools to allow for more efficient automated methods for conducting Board business.
- Executive staff, in cooperation with Board staff, to review current operational processes to determine possible areas for enhancement.
  - Board staff is currently working with its systems processor to provide customer base with an online re-examination application. Licensing Manager to work with systems processor to have online re-examination application functioning and available to website users by September 30, 2016.
  - Board staff is currently working with its systems processor to provide customer base with an online reciprocal licensure application. Licensing Manager to work with systems processor to have online reciprocal licensure application functioning and available to website users by September 30, 2016.
  - Board third party complaint process is currently a manual process. Board staff is currently reviewing the third party complaint process to provide for an online format. Executive staff and Communication Director to work with third party contractor on language/formatting changes necessary for online format. Third party contractor to be engaged to assist with necessary website changes and implementations for online format to be available by October 31, 2016. Deadline

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contingent upon any necessary implementation issues that might arise that would require involvement with Board system processor.

- Executive staff and Licensing Manager to review other areas for automated enhancement including such items as initial exam application; automated submission of college transcripts; interstate exchange forms, and CPA licensure application. Initial reviews for possible online applications will take place by June 30, 2017.

❖ Communicate the activities of the Board with its customer base throughout the year.

- Communications Director to prepare, for both email and print distribution, a monthly newsletter of Board activities.
  - Communication Director, with assistance from Executive staff, will prepare and distribute a monthly newsletter communicating Board activities and other relevant information. Distribution to be by email, postal mail, and posting to Board website. Current ongoing activity.
- Communications Director to prepare email communications throughout the year to communicate Board points of emphasis to licensees.
  - Communication Director, with assistance from Executive staff, will prepare and have distributed email blasts that communicate critical Board information throughout the year. Board to produce a minimum of four email blasts per year. Current ongoing activity.
- Communications Director and Executive staff to assist in the development and posting of informational videos on Board website to assist customer base in completing or performing various tasks.
  - Communication Director, with assistance from Executive staff, will work with NASBA to develop Board informational videos to assist customer base in completing various regulatory tasks such as applying for the CPA examination or licensure or to provide Board specific information. Goal to add minimum of one informational video per fiscal year. Current ongoing activity.

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- ❖ Provide customer base with access to knowledgeable staff persons to ensure consistent and accurate answers to inquiries.
  - Executive staff to establish a subject matter expert listing that identifies primary and backup subject matter expert for direct customer inquiries and to provide customer assistance.
    - Executive and Deputy Director to establish subject matter expert listing by August 31, 2016. Listing will be shared with Customer Service Representative to ensure customer inquiries directed to most appropriate staff members for response.
  - Deputy Director to work with subject matter experts to identify primary areas of inquiry and to develop Frequently Asked Questions (FAQ) formats that may be clearly displayed on Board website.
    - Deputy Director to work with Communications Director to populate website with well-thought-out FAQ section to provide for additional means for customer base to find access to Board information. Board staff to work to implement website FAQs by July 1, 2017.
- 2) **Board staff will establish measureable goals for performance of specific process tasks related to providing timely and efficient customer services.**
- ❖ Exam Measurements – Processing goals for processing initial and re-exam exam apps
  - Process 1
    - Details and measurements
- ❖ Licensure Measurements – Processing goals for processing initial and reciprocal license applications
  - Process 1
    - Details and measurements
- ❖ CPE Audit Measurements – Goals for performing review of licensee CPE compliance
  - Process 1
    - Details and measurements

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**3) Continue to review Board processes to improve the ease of access to information by licensees and the public related to Board operations, processes, and actions.**

- ❖ Provide client base with most effective and efficient access to Board data sources that are available as public records.
  - Ensure that Board information is updated and sufficiently populated to allow for technological upgrades that might provide information in a more user-friendly format.
    - Review information requests and try to develop data routines that might provide customers with more effective means for gathering or accessing information. Current ongoing activity.

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# North Carolina State Board of CPA Examiners

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### **Improved Visibility of the Board:**

**Enhanced public awareness of the Board and its mission**

**Enhanced understanding of the purpose and operation of the Board among its candidates and licensees**

**1) The Board serves in a role of public protection as it performs its regulatory functions of licensing individual CPAs and CPA firms, as well as overseeing the professional conduct of those practicing in public accounting.**

❖ Executive staff and Communication Director to work to devise methods for enhancing the public awareness of the Board and its mission

➤ Board staff to work with NASBA to assist in the production of a series of website videos that speak to the Board's mission and goals

- Communication Director will work with NASBA Communications group to develop a base video that speaks to the generics of the Board such as its origins, purpose, and Board oversight. Board staff to work with NASBA to have initial video created by March 31, 2017.

- Communication Director to work with Executive staff to plan for additional videos that may be helpful in increasing Board visibility. Potential video ideas to be developed by March 31, 2017.

➤ Board staff to vet additional opportunities to enhance Board visibility using internet and social media opportunities.

- Executive staff to work with Communication Director to design addition website methods for increased visibility of Board and its mission. Ideas may include Chairman blog; Board member bios with description as to what Board service means to them; Creation of website location for real-time summary of Board actions; Staff member bios that allow for customer base to put a face to the person with whom they communicate; etc. Potential enhancements to be presented to Board members for review at the December 31, 2016 meeting.

- Communication Director to research creation of LinkedIn presence for social media. Consideration to be given to possible increased usage of current social media sites Facebook and Twitter as communication means for customer base.

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- 2) The Board's regulatory duties are sometimes misconstrued by the public and those in the profession to be advocacy-based.**
- ❖ Board staff to look to expand opportunities for communicating the mission and goals of the Board.
    - Board Executive staff will continue to engage with CPA exam candidates and licensees to communicate the goals of the Board.
      - Executive staff will continue to be involved in the Board required Ethics training process. This includes presentations to governmental-only groups as requested and as fits within the Executive staff schedules. This is an ongoing task.
      - Executive staff will continue to present to college campus accounting groups that request specific information related to the Board, and specifically to the CPA examination process. This is an ongoing task.
    - Board Executive staff and Communications Director will research and entertain opportunities for Board members to engage with licensees and the public.
      - Board staff receives various requests for speaking opportunities through the year. Executive staff will look for opportunities for Board members to speak at various events such as NCACPA presentations, NASBA meetings, other accounting organizations, as well as educational events such as college/high school career days. This will be an ongoing task with events targeted to either specialty areas or home location of the Board members.

# North Carolina State Board of CPA Examiners

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### **Effective Enforcement:**

**Convenient access for the public and profession to report complaints**

**Timely processing of legitimate complaints to final resolution**

**Consistent application of statutes and rules**

**Appropriate discipline for violations**

**1) A key role of the Board is to ensure that CPAs and CPA firms continue to demonstrate professionalism, competence, and adherence to ethical behavior in performing professional public accounting services.**

- ❖ The Board's public protection oversight is enhanced by providing convenient access to the public for reporting ethical violations by its licensees.
- The Board will enhance its current third-party complaint process by providing the public and other professionals with the ability to report possible ethical violations through an online means.
    - Executive staff will review current third-party complaint reporting processes for areas of improvement and simplification. This task was completed in April 2016 with the internal recommendation to discontinue requiring a notary certification of filed complaints and to begin the process of establishing an online complaint format.
    - Executive staff will design an online complaint format that can be easily accessed by the public. The Board website will be configured such that the complaint format is readily found. Board staff will work with website designer to have online complaint format operational by October 31, 2016.
    - Professional standards staff will begin tracking data related to monthly reported complaints, opened cases, closed cases, etc. Data will be presented for Board members in the format of semi-annual updates of Professional Standards activities. Format to be developed by Staff Attorney and implement for first quarter of 2017.

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- ❖ The Board's oversight of disciplinary measures must be consistent, timely, and performed in a professional manner.
  - Staff attorney and Executive staff will develop internal policies and procedures to ensure fair, consistent, and timely disciplinary actions by the Board.
    - Staff attorney and Executive staff will develop staffing recommendations for standard disciplinary guidelines related to peer review matters, CPE audit failures, and fiduciary responsibilities for consistency purposes. While not bound by the recommendations, the guidelines will provide baseline disciplinary results for review by the Professional Standards Committee. These guidelines have been developed and are currently in use by Board staff in preparation of monthly agendas for the Committee.

### **2) The Board will be proactive in its enforcement processes to provide value and support to the CPA profession in North Carolina.**

- ❖ The Board's public protection oversight is enhanced by providing convenient access to the public for reporting ethical violations by its licensees.
  - The Board will enhance its current third-party complaint process by providing the public and other professionals with the ability to report possible ethical violations through an online means.
    - Executive staff will review current third-party complaint reporting processes for areas of improvement and simplification. This task was completed in April 2016 with the internal recommendation to discontinue requiring a notary certification of filed complaints and to begin the process of establishing an online complaint format.

# North Carolina State Board of CPA Examiners

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### **Sustainable Staffing:**

**Ensure continuity of Board operations through proper staffing levels and effective retention efforts**

**Maintain effective succession planning at all levels**

**1) The Board desires to maintain continuity in its operations through proper staffing that is knowledgeable, professional, and technically competent.**

- ❖ Board desires knowledgeable staff to ensure it maintains the ability to provide services critical to the mission and goals of the Board.
  - A succession plan will be developed to address the Executive Director position and ensure continuity and stability of Board staff operations.
    - Board approved succession plan developed by Executive Director at its November 2015 meeting. Plan identifies procedures for Board to identify and select eventual successor for Executive Director. Board's Personnel Committee will communicate with Executive Director as part of the annual performance evaluation process to determine timing for implementation of the plan.
    - Deputy Director is positioned to provide leadership skills and manage operations on an interim basis until Board approval of successor Executive Director. This is an ongoing task.
  - Executive staff will identify mission critical staffing positions to assess succession planning risk.
    - Executive staff had identified key staffing positions and performs succession planning risk and needs assessment as part of its performance evaluation process. This is performed on an annual basis in March.
    - Job descriptions, as well as position specific procedures, will be reviewed for agreement with current position functions. Information will be updated as part of the next performance evaluation cycle in March 2017 to ensure written documentation exists to support Board operations.
    - Executive staff has implemented cross-training procedures for specific job functions to ensure business continuity.

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- Board staff will be given opportunities to identify areas for improvement for technical competence and seek training opportunities.
  - Deputy Director will work with managers and staff employees to identify needed areas for training opportunities and take appropriate steps to ensure training occurs. This is an ongoing task that occurs as part of the annual staff evaluation process in March.

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## Working Strategic Plan

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### **Strategically Aligned Operational Planning:**

#### **Operational activities and goals aligned with the strategic objectives of the Board**

- ❖ The Board will identify operational goals directed at ensuring effectiveness and efficiencies in performing its regulatory functions.
  - The Board will establish a strategic plan to provide Board staff with goals and objectives for Board operations.
    - Board, with the assistance of an outside moderator, crafted the guidelines for a Board strategic plan in January 2016.
    - Executive staff, with guidance and assistance from the Board, will further develop the strategic plan with the directive of establishing operating goals and appropriate measurements. Updates to the strategic plan will be provided at least quarterly at a regular monthly meeting of the Board. This is an ongoing task.
    - Board members will provide input, feedback, and approval for finalizing the strategic plan as various components of the plan are completed. This is an ongoing task.
- ❖ Board Executive staff will implement Board strategic plan and design appropriate methods to measure the effectiveness of the objectives identified by the strategic plan.
  - Executive staff, working with Board staff members, will identify critical operational processes that fall within the regulatory mission of the Board.
    - Measurement criteria will be established for key data elements for such processes as exam applications, licensure applications, CPE audits, and disciplinary actions so that operational measurement data can be provided to Board members on a monthly basis. Deputy Director to work with various operational units to identify key measurement criteria by March 31, 2017.
    - Executive staff, with assistance of Communications Manager, will design Board reports that provide measurement data in a format understandable by Board members. This would correlate with the March 31, 2017 date.
- ❖ The Board will review operational measurements against established operational goals to provide guidance to Executive staff on Board operational goals.

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- Executive staff will provide the Board, or appropriate Board Committees (Executive, Personnel, Audit, etc.), with operational results for comparison with the Board strategic plan.
  - As measurement criteria are approved by the Board, Executive staff will implement operational procedures to ensure reporting procedures are implemented to obtain information on a monthly basis. This is an ongoing task that will align with the Board's approval of various sections of the strategic plan.

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### **Integrated Technology:**

**Integrated licensing, compliance (including CPE tracking and auditing), and enforcement systems**

**Adopting best practices in the use of technology across the activities of the Board to enhance board effectiveness and efficiency**

- ❖ The Board's information technology (IT) infrastructure should be supportive of the goals and objectives of the Board.
  - A global assessment of the Board's current IT infrastructure will be completed to analyze strengths, weaknesses, and opportunities for improvement.
    - Deputy Director will prepare RFP for overall assessment of Board's IT infrastructure. RFP to be completed by September 30, 2016.
    - Executive staff, with Board approval, to contract for assessment of Board's IT infrastructure. Assessment to focus on such areas as need for IT policy development; IT security; Sustainability of current IT systems; data hosting options; maximizing efficiencies of current application products; strategizing for future applications for mobile users; etc. Target date for assessment report is March 31, 2017.
    - Executive staff, with contractor assistance, to develop future strategic plan items based on Board approval of assessment report recommendations. This will be an ongoing task based on complexity of recommendations and feasibility of implementation.

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### **Improved Audit Quality:**

#### **Improvements in identifying and remediating audit failures**

- ❖ As part of its regulatory authority, the Board will emphasize audit quality through its educational and disciplinary activities.
  - Executive staff will participate in various training activities that are inclusive of discussions on audit quality.
    - Executive staff will emphasize issues related to audit quality in its various presentations including Ethics trainings, State of the Profession discussions, and prepared training opportunities. This is an ongoing task and opportunities vary throughout the year.
    - Deputy Director is a member of the NCACPA Governmental Accounting & Auditing Committee, which provides assistance to largest group of auditors of governmental units in North Carolina. Emphasis will be placed on audit quality through directives and educational opportunities sponsored by this group. This is an ongoing task with regular meetings throughout the year as well as one planned educational conference.
    - Executive staff will monitor audit quality issues through regular oversight meetings with the AICPA Peer Review Committee and provide input through meeting discussions and responses to applicable Exposure drafts. This is an ongoing task.
  - Board will monitor audit quality and impact systemic change through its disciplinary processes.
    - Board staff will monitor CPA firm peer review results for deficiencies noted with audit quality. Disciplinary actions will include continuing professional education, pre-issuance and post-issuance reviews, limitation of services, individual license or firm suspensions, etc. Disciplinary actions will be communicated to the profession through the Board's monthly newsletter. This is an ongoing task by Board's Professional Standards staff as well as Executive staff. Results are provided to the Board's Professional Standards Committee on a monthly basis.

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**Competency-Based Continuing Professional Education (CPE):**

**Relevant CPE requirements that result in enhanced competence for licensees**

- ❖ The Board will continue to monitor continuing professional education requirements necessary for professionals to maintain their competence as well as the appropriate mechanisms for CPE delivery and measurement.
- The Board staff will monitor ongoing discussions with educators and state, local, and national CPE providers to ensure that CPE required to maintain licensure is adequate.
  - Executive Director will continue to provide Board with updates in regard to changing landscape of CPE.

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### **Board Components:**

State Board of Certified Public Accountant Examiners is created as an agency of the State of North Carolina and shall consist of seven members to be appointed by the Governor, five persons to be holders of valid and unrevoked certificates as certified public accountants issued under the provisions of this Chapter and two persons who are not certified public accountants who shall represent the interest of the public at large. Members of the Board shall hold office for the term of three years and until their successors is appointed. Appointments to the Board shall be made under the provisions of this Chapter expiring on the thirtieth day of June.

CPA Members: Michael H. Womble, CPA  
Wm. Hunter Cook, CPA  
L. Samuel Williams, Jr., CPA  
Bo Biggs, CPA  
Cynthia B. Brown, CPA

Public Members: Jeffrey J. Truitt, Esquire  
Justin C. Burgess

### **Operations Plan:**

The Board's staff includes an Executive Director, a Deputy Director, a Staff Attorney, 10 full-time staff members, and one part-time staff member. The Board's major products and services include:

- CPA Exam candidate application processing
- CPA Licensee individual and firm application processing
- CPA Licensee individual and firm annual renewal processing
- CPA Continuing Professional Education (CPE) monitoring
- CPA Firm Peer Review monitoring
- Regulatory Compliance/Investigative/Enforcement processing

The Executive Director and Deputy Director are responsible for the overall management of the Board staff and the management of the Board's activities as directed by the Board members. The Board operations are broken down into five sections:

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- Administrative Services
- Communications
- Examinations
- Licensing
- Professional Standards

The Administrative Services Section is responsible for the internal operation of the office for functions such as accounting and purchasing.

The Communications Section is responsible for designing, writing, and editing Board publications such as the Activity Review and press releases as well as maintaining the Board's website.

The Examinations Section is responsible for processing applications for the Uniform CPA Examination, exam score notices, and notifications to successful exam candidates.

The Licensing Section is responsible for processing applications for CPA certificates and CPA firm registrations as well as the annual renewal of each. In addition, the Licensing Section is responsible for administering the CPE and peer review compliance programs.

The Professional Standards Section is responsible for all inquiries, complaints, and administrative hearings pertaining to the rules of professional ethics and conduct of CPAs. The Professional Standards Section is also responsible for investigating the unauthorized use of the CPA title. The Professional Standards section is overseen by the Staff Attorney.

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Operational Data: (Licensee data as of August 17, 2015)

<b>Licensees by License Type:</b>		<b>Licensees by Occupation:</b>	
Original	15,741	Industry:	
Reciprocal	4,370	Accounting	7,970
Total	<u>20,111</u>	Non-Accounting	1,425
			<u>9,395</u>
<b>Licensees by Residency:</b>		Public Practice:	
North Carolina	16,532	CPA Firm Staff	3,801
Out-of-State	3,579	CPA Firm Partner	1,301
Total	<u>20,111</u>	CPA Firm PC Shareholder	877
		CPA Firm PLLC Member	398
<b>Licensees by Gender:</b>		Individual Practitioner	1,503
Male	9,289		<u>7,880</u>
Female	<u>20,111</u>	Government:	
Total		Accounting	1,078
		Non-Accounting	94
<b>Licensees by Concentration:</b>			<u>1,172</u>
Auditing	2,864	Other	684
Administration	830	Educator	293
Advisory Services	669	Unemployed	285
Financial Planning	501	Legal	193
General Accountancy	9,175	Retired	174
Law	151	Student	35
Non-Accounting	598		
Other	740		
Taxation	4,529	Total	<u>20,111</u>
No Designation	54		
Total	<u>20,111</u>		

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<b>Board Cases for 2015:</b>		
Open		
Closed		
Total		0
<b>Board Cases by Type:</b>		
Type		
Total		0

<b>Exam Applicants:</b>		
Initial		
Re-Exam		
Total		0
<b>License Applicants:</b>		
Original		
Reciprocal		
Total		0

# North Carolina State Board of CPA Examiners Working Strategic Plan

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## **Financial Overview:**

The North Carolina State Board of CPA Examiners is 100% receipt-supported, deriving all of its fees from business-type operations. No funds are provided by the State of North Carolina. Fines are transferred to the General Fund of the State of North Carolina. The licensing fees charged by the Board have been stable for a significant number of years and the \$60 annual renewal fee by individual CPAs is one of the lower renewal fees in the United States.

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## North Carolina State Board of CPA Examiners Working Strategic Plan

The Board adopts an annual budget based on prior year historical trends and anticipated changes for the upcoming year. The budget for the current fiscal year is presented as follows.

		<i>Approved Budget 2015-2016</i>
<b><u>Operating Budget</u></b>		
<b>OPERATING REVENUES</b>		
Examination Fees	\$	1,390,510
Licensing Fees		1,359,500
Miscellaneous		9,500
<b>Total Operating Revenues</b>		<b>2,759,510</b>
<b>OPERATING EXPENSES</b>		
Salaries and Employee Benefits		1,233,071
Examination		1,000,000
Office		102,680
Postage and Printing		161,400
Travel		126,827
Maintenance and Computer Support		57,620
Legal and Investigative costs		57,000
Insurance		20,100
Dues and Subscriptions		12,600
Scholarship		11,000
Building		35,000
<b>Total Operating Expenses</b>		<b>2,817,298</b>
<b>Operating Income (Loss)</b>		<b>(57,788)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Rental Income		21,854
Interest Income		16,000
Gain on Sale of Assets		0
Leasing Commission		0
Miscellaneous		(35,000)
<b>Total Non-Operating Revenues</b>		<b>2,854</b>
<b>Estimated Change in Net Assets</b>	<b>\$</b>	<b>(54,934)</b>

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Following is a presentation of expected full-time equivalencies (FTEs) identified for the overall operations of the Board:

<b>Program Services:</b>		<b>Staff FTE</b>
Administrative Services		
Board Operations		1.80
Customer Service		1.25
Communications		1.10
Examinations		1.10
Licensing		
Applications		1.75
Compliance Activities		1.45
Professional Standards		4.55
		<b>13.00</b>

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