PUBLIC SESSION AGENDA
NORTH CAROLINA STATE BOARD OF CPA EXAMINERS
AUGUST 22, 2016
10:00 A.M.
1101 OBERLIN ROAD
RALEIGH, NC

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.

1. Public Hearing – Case No. 2015275 – Anthony Michael Luper, #20752
2. Public Hearing – Case No. 2015270 – Deborah G. Jenkins, #20011

B. Welcome and Introduction of Guests

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

D. Minutes **(ACTION)**

E. Financial/Budgetary Items

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

F. Resolution for George W. Rohe, CPA **(ACTION)**

II. Legislative & Rule-Making Items

A. Rule-Making for 2016-2017 **(ACTION)**

III. National Organization Items

IV. State & Local Organization Items

A. Statement of Economic Interest Filed by L. Samuel Williams, Jr., CPA **(ACTION)**

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 HEARING AGENDA
NORTH CAROLINA STATE BOARD OF CPA EXAMINERS
AUGUST 22, 2016
10:00 A.M.
1101 OBERLIN ROAD
RALEIGH, NC

I. Administrative Items

A. Call to Order

II. Hearing Testimony

A. Case No. 2015275 – Anthony Michael Luper, #20752

B. Case No. 2015270 – Deborah G. Jenkins, #20011

III. Adjournment

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

NOTICE OF HEARING

The North Carolina State Board of Certified Public Accountant Examiners ("Board") has received evidence which if admitted at hearing would show that:

1. Respondent Anthony M. Luper (hereinafter "Respondent") is the holder of a certificate of qualification admitting Respondent to practice as a Certified Public Accountant in North Carolina ("Certificate"). Respondent is subject to the provisions of Chapter 93 of the General Statutes of North Carolina 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. Respondent informed the Board on his 2014-2015 individual certificate renewal ("2014 Renewal") that between January 1, 2013, and June 30, 2014, he had obtained forty (40) hours of continuing professional education ("CPE") and had completed the annual approved ethics CPE course.

3. On his 2014 Renewal, Respondent indicated that he had taken some of his 2013 CPE between January 1, 2014, and June 30, 2014. Therefore, he was issued a Letter of Warning

4. 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.

5. Based on Respondent's representations, the Board accepted his Renewals.

6. Respondent, because he had received a Letter of Warning, was subjected to an audit of his CPE for the 2013 and 2014 years.

7. Respondent was able to substantiate only thirteen (13) hours of CPE in 2013 and thirty-nine (39) hours of CPE in 2014.

8. The main reason for Respondent's CPE shortfall appears to be his attempt to claim CPE credit for instructing members of one of his clients' tax department.

9. However, per 21 NCAC 08G .0409, credits for instructing a CPE course are only granted for "teaching or presenting a CPE course for CPAs..." Additionally, that same regulation further provides that "[n]o more than 50 percent of the CPE credits required for a year shall be credits for preparing or presenting CPE courses."

10. The matter was then referred to the Board's Professional Standards section for possible enforcement. After initially responding to the inquiries by the Professional Standards staff, Respondent became unresponsive and failed to answer Board correspondence within twenty-one (21) days.

11. If proven at hearing, when Respondent affirmatively represented on his Renewals that he had met his 2013 and 2014 CPE requirements, he knew or should have known that those representations were false in violation of 21 NCAC 08N .0202(a), .0202(b)(3), and .0202(b)(4).

12. If proven at hearing, Respondent's failure to timely respond to communications from the Board staff constitutes a violation of 21 NCAC 08N .0206.

The discipline which the Board may impose on Respondent for violation of the aforementioned rules includes censure, revocation of license for a period of time, or permanent revocation. In addition, the Board may impose civil penalties of up to $1,000.00 per infraction.

Pursuant to N.C. Gen. Stat. § 150B-38, Respondent is entitled to a public hearing on this matter and may choose to be represented by an attorney. Unless this matter is resolved by consent, the Board will hear this matter in the Board offices at 1101 Oberlin Road in Raleigh, on August 22, 2016, at 10:00 a.m. If Respondent is not present, a decision may be reached in Respondent's absence, and Respondent may be deemed to have waived the right to be present at the hearing.

Pursuant to N.C. Gen. Stat. § 150B-40(d), neither Respondent, nor anyone acting on Respondent's behalf, may communicate regarding this matter, directly or indirectly, with any individual member of the Board.

Questions, or additional pertinent evidence, or proof of compliance, or attempts to resolve this matter informally, may be directed to the Board's Staff Attorney, Frank Trainor, at (919) 715-9185 or ftrainor@nccpaboard.gov.

This notice is issued the 23 day of MARCH, 2016.

BY: Wm. Hunter Cook
Professional Standards Committee Chairman
North Carolina State Board of
Certified Public Accountant Examiners

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

NOTICE OF HEARING

The North Carolina State Board of Certified Public Accountant Examiners ("Board") has received evidence which if admitted at hearing would show that:

1. Respondent Deborah G. Jenkins (hereinafter "Respondent") was the holder of a certificate of qualification admitting Respondent to practice as a Certified Public Accountant in North Carolina ("Certificate"). Respondent is subject to the provisions of Chapter 93 of the General Statutes of North Carolina 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. Respondent informed the Board on her 2014-2015 individual certificate renewal ("Renewal") that between January 1, 2013, and June 30, 2014, she had obtained forty (40) hours of continuing professional education ("CPE") and had completed the annual approved ethics CPE course.

3. Based on Respondent's representation, the Board accepted her Renewal.

4. Beginning in April 2015, the Board's Licensing staff requested that Respondent provide certificates of completion for the CPE reported to meet her 2013 CPE requirements.

5. The Respondent submitted evidence of only twenty-six and one-half (26.5) hours of CPE and no ethics course.

6. Subsequently, the Licensing staff sent numerous correspondences to the mailing address and email address provided by Respondent on her most recent renewal. Respondent did not respond to those correspondences.

7. The matter was then referred to the Board's Professional Standards section for possible enforcement. Respondent was unresponsive to all correspondence from the Professional Standards staff.

8. To date, Respondent has provided no additional information to substantiate that she met her 2013 CPE requirement.

9. If proven at hearing, when Respondent affirmatively represented on the 2014-2015 annual renewal that she had met her 2013 CPE requirement, she knew or should have known that representation was false in violation of 21 NCAC 08N .0202(a), .0202(b)(3), and .0202(b)(4).

10. If proven at hearing, Respondent's failure to respond to numerous communications from the Board staff constitutes a violation of 21 NCAC 08N .0206.

The discipline which the Board may impose on Respondent for violation of the aforementioned rules includes censure, revocation of license for a period of time, or permanent revocation. In addition, the Board may impose civil penalties of up to $1,000.00 per infraction.

Pursuant to N.C. Gen. Stat. § 150B-38, Respondent is entitled to a public hearing on this matter and may choose to be represented by an attorney. Unless this matter is resolved by consent, the Board will hear this matter in the Board offices at 1101 Oberlin Road in Raleigh, on August 22, 2016, at 10:00 a.m. If Respondent is not present, a decision may be reached in Respondent's absence, and Respondent may be deemed to have waived the right to be present at the hearing.

Pursuant to N.C. Gen. Stat. § 150B-40(d), neither Respondent, nor anyone acting on Respondent's behalf, may communicate regarding this matter, directly or indirectly, with any individual member of the Board.

Questions, or additional pertinent evidence, or proof of compliance, or attempts to resolve this matter informally, may be directed to the Board's Staff Attorney, Frank Trainor, at (919) 715-9185 or ftrainor@nccpaboard.gov.

This notice is issued the 19 day of MAY, 2016.

BY: Wm. Hunter Cole
Professional Standards Committee Chairman
North Carolina State Board of
Certified Public Accountant Examiners

PUBLIC SESSION MINUTES
North Carolina State Board of CPA Examiners
July 25, 2016
1101 Oberlin Road
Raleigh, NC 27605

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 (Sammy) 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; Buck Winslow, Licensing Manager; and Noel L. Allen, Esq., Legal Counsel.

GUESTS: Mark Soticheck, CPA, COO, NCACPA; Amanda Davis, Director of Learning and Development, NCACPA; Ronnie Eubanks, CPA, NCACPA; Suzanne Jolicoeur, Senior Manager, State Regulation & Legislation, AICPA; Jenni Middlebrook Case; Albert M. Edwards, Jr., CPA; and Officer J.A. Stokes, Raleigh Police Department.

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

OATH OF OFFICE: L. Samuel (Sammy) Williams, Jr., CPA, was sworn the Oath of Office by President Womble.

PUBLIC HEARING: President Womble called the Public Hearing to order to hear Case No. C2012391 – Albert M. Edwards, Jr., CPA. Mr. Edwards was present at the Hearing but was not represented by counsel at the Hearing. Mr. Edwards and David R. Nance, CPA, were sworn in and presented testimony. Messrs. Biggs and Williams moved to enter Closed Session to discuss the case without the Executive Staff or the Staff Attorney present, but with Noel L. Allen, Esq., Legal Counsel, present. The Board re-entered the Public Hearing and Messrs. Cook and Williams moved to permanently revoke North Carolina CPA Certificate No. 14885 issued to Albert M. Edwards, Jr. (Appendix I). Motion passed with seven (7) affirmative and zero (0) negative votes. The entire Public Hearing is a matter of public record.

MINUTES: The minutes of the June 23, 2016, meeting were approved as submitted.

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

Mr. Cook provided the Board with the report of the Audit Committee and the draft 2015-2016 audit report. Mr. Cook moved, and Mr. Truitt seconded, that the Board increase the net assets designated for litigation from $750,000.00 to $1,000,000.00 in the audit. Motion passed. Mr. Cook moved that the draft audit report as amended and as recommended by the Audit Committee be approved (Appendix II). Motion passed with seven (7) affirmative and zero (0) negative votes.

LEGISLATIVE AND RULE-MAKING ITEMS: Mr. Brooks provided the Board with several draft rules that may be considered for rule-making.

Mr. Brooks reported on the status of House Bill 1007 and the proposed Senate Committee substitute bills that were attached during the final days of the Legislative Session.

NATIONAL ORGANIZATION ITEMS: Mr. Cook and Ms. Brown moved to approve the draft response with suggested changes to the Exposure Draft, *Proposed Changes to the AICPA Standards on Performing and Reporting on Peer Review*. Motion passed. Mr. Truitt did not participate in the discussion of this matter, nor did he vote on this matter.

STATE AND LOCAL ORGANIZATION ITEMS: The NCACPA provided the Board with a copy of the 2015 AICPA Peer Review Board Oversight Committee Task Force report of the oversight visit of the administration of the NCACPA's administration of the peer review program for North Carolina CPAs (Appendix III).

Mr. Cook reported on the June 23, 2016, meeting of the Professional Standards Committee and Executive Staff with the NCACPA Peer Review Committee in Greensboro.

Mr. Cook, Mr. Soticheck, and Ms. Davis commented on the development and acceptance of competency based CPE by the Indiana Board of Accountancy.

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

Case No. C2015298-1/2 - Mary L. Christy, CPA – Approve the signed Consent Order (Appendix IV)

Case No. C2014027 - Close the case without prejudice. Mr. Cook did not participate in the discussion of this matter and nor did he vote on this matter.

Case No. C2016008 - Close the case without prejudice.

Case No. C2016048 **-** Close the case without prejudice

Case No. C2016079 **-** Close the case without prejudice.

Case No. C2016092 **-** Close the case without prejudice

Case No. C2016119 - Close the case without prejudice. Mr. Cook 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:

Transfer of Grades Applications - The Committee recommended that the Board approve the following:

Katherine Marie Barga
Samantha Brooke Hairston
Tyler Alexander Kennedy
Stacy Marie Kolodziejski
Shannon Lynn Mather
Jeffrey Aaron George Morrow
Steven Dalton Thompson
Joseph Brock Vaughn
Nathaniel Robertson White
Joey Daniel Yoder

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

Stephen Michael Allen
Omar Yahya Alsaidi
John Charles Anthony, III
Graham Wayne Arrowood
Paul Harper Avinger
Katherine Marie Barga
Emily Small Batchelor
Kaitlyn Elizabeth Bell
Cory Walter Billings
Russell Eric Bramlett, Jr.
Travis Keith Brown
Joshua Lane Bryant
Hillary Beyer Burdette-Sapp
Rowena Bass Carney
Jenni Karicia Middlebrook Case
Peter Young Il Chae
Fangyuan Chang
Hui Chen
Chun-Yuh Chou
Elizabeth Williams Colcord
William Kristopher Collum
Jacob Matthew Cooper
Michael Taylor Corum
Anna Marie Crawford
Thomas Joseph Crowther
Stacy Ann Daniel
Terresa LaVern Dent
Justin Charles Douthit
Ross Anthony Drapalski
Erin Whitford Droese
Christopher Andrew Dusanenko
Felicia Anne Edwards
Senol Evren
James William Angus Gambill
Brent Steven Gillespie
Rebecca Vedrody Grant
Suzannah Marie Greenough
Steven Cody Hagemann
Samantha Brooke Hairston
Joshua Paul Harms

Heather Ann Hess
Rebecca Ann Hurst
Heidi Susan Irwin
Laura Lynn Jacobson
Matthew Sterling James
Sterling Neil Journigan
Sandra Denise Joyner
Tyler Alexander Kennedy
Stacy Marie Kolodziejski
Keith Ryan Lane
Austin James Lowe
David Douglas Mall, II
Shannon Lynn Mather
Keturah J. S. Mayberry
Andrew Allen McNeish
Cody Samuel Means
Amber Melissa Metts
Michael Ward Moran
Jeffrey Aaron George Morrow
Mark Russell Nielsen
Jacob Mark Nygaard
Derek Leo Osborne
Melissa Grace Parry
James Harold Peedin, IV
Tara Elizabeth Rajani
James Peter Reid
Shaun L. Respess
Emily Wood Reynolds
Thomas John Rita
Matthew MacAllister Rymer
Katherine Ann Schmidtke
Phillip Louis Shehdan III
Kate Buchanan Shelton
Lonnie Dale Shook, Jr.
Kyle Foster Smith
Tammy Schenk Southerland
Miranda Lynn Stiffler
Lindsey Sara Strickert
Steven Craig Strickland
Ann Margaret Stringari
Stephanie Payne Strong
Brian Peters Stucky
Briel Teresa Teague
Steven Dalton Thompson
William Bryant True
Joseph Brock Vaughn
Bryan Michael Weber
Robert McCord Wheeler
Nathaniel Robertson White
Jessica Jones Wilson
Henry Wilson Withers
Jeffrey Neil Wood
Brittany Nicole Wurdeman
Joey Daniel Yoder
Cameron Thaler Young

Staff reviewed and recommended approval of the original application submitted by Scott Richard Jackson. Mr. Jackson failed to disclose pertinent information with his exam application but provided it with his certificate application. Staff recommended approval of the application with a one-year probationary period. The Committee recommended that the Board approve staff recommendation.

Staff reviewed and requested Committee guidance on a request to grandfather an original license applicant who does not meet the 150-hour education requirement. The Committee recommended that the Board disapprove the request because the statutes found at NCGS 93-12(5) specifically require 150-semester hours as a condition of licensure.

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

Robert Daniel Adams
Jan Michael Alexander
Debra Ginther Andrews
Michael Laurent Audet
Richard Enus Bhola
Claude Andrew Campbell
Xiaojuan Chen
James Gustav Coffos
Marcus Edwin Craig, III
Andrew Steven Dailer
John James Daly, Sr.
Michael David Darlin
Jeffrey Robert Dippold
Chad Richard Edwards
Dominic Joseph Fillippa, Jr.
Kavita Narendra Gada
Heather Michelle Gates
Jeremy John Gilbert
Peter Joseph Gmeiner
David Goenaga
Paul Douglas Haynes
Melanie Carol Hoover
Darryl Robert Jackson
Amy J. James
David Kyle Johnson
Narsimha Reddy Kallem
Melissa Anne Kehoe
Bonnie Sue Kline
Betty Lynn Larose
Christopher Edward Lorch
Steven Glenn McCay
Lauren Nicole McClune
Deborah King McDonnell
Donald Paul McFarland
Shannon Aileen Moran
Jeffrey Thomas Nick
Ha Thu Phan
David Gaynor Phillips
Theresa A. Piscitelli
James Emmanuel Ponce
Brad Allen Reedy
Thomas Edward Riley, Jr.
Brian Lee Roberts
Zachary Brooks Schoenholtz
Charles William Stuber, Jr.
Shannon Marie Titch
Ifeoma Azuka Udeh
Rachel Marie Warton-Eyers
Allison Elaine Watkins
James Michael Wojtowicz
Mark Wurtenberger
Olga Zevin-Bushel
Yu Zhao

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

James Michael Wojtowicz, T9222
Ifeoma Azuka Udeh, T9223
Chad Richard Edwards, T9224
Deborah King McDonnell, T9225
Andrew Robert McIntosh, T9226
Nicholas Riordan Caporale, T9227
Brian Lee Roberts, T9228
Theresa A. Piscitelli, T9229
Marcus Edwin Craig, III, T9230
Amanda Mae Johnson, T9231
Ting Zheng, T9232
Peter L. Tomkie, T9233
Narsimha Reddy Kallem, T9234
David Goenaga, T9235
Scott Richard Crews, T9236
Kristopher Michael Willis, T9237
Debra Ginther Andrews, T9238
Kellyn Rose Gombert, T9239
Leslie Berry Steele, T9240
Edmund Alexander Hawes, Jr., T9243
Jonathan A. Shaw, Jr., T9244
Michael David Crittenden, II, T9245

Philip Brian Fairchild, T9246
Craig Harvey Donovan Field, T9247
Taylor Wells Longacre, T9248
Anne Marie McCarthy Voutsos, T9249
Phyllis F. J. Yokley, T9250
Elena Lotten, T9251
Johannes A. Dreyer, T9252
Catherine Marie Rybarczyk, T9253
Ellen Marie Williams, T9254
James Matthew Day, T9255
Michael Robert Elder, T9256
Tyler Austin Whitsel Medley, T9257

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

Charles Wallace Archerd, #26371
Laurel Whitney Atwater, #29684
John Edward Broyles, II, #28085
Needham Broughton Correll, III, #13641
Daniel Ray Fowler, #28105
Janice Martin Gearheart, #17710
Deborah Garland Holland, #14803
Kevin Ray Lee, #28317
Thomas Hamilton Lewis, VI, #31917
Patricia Williams Lunsford, #17658
Stephen Wood Martin, #27724
Lauren D. Massie, #32465
Gerilyn O'Dell Sheriff, #15007
Jerry Michael Sledge, #14701
Daniel Alexander Wendelborn, #36570

Reissuance of New Certificate - The Committee recommended that the Board approve the application for reissuance of new certificate submitted by Ted Reid Bryant, #8431.

Reissuance of New Certificate and Consent Agreement - The Committee recommended that the Board approve the application for reissuance of new certificate and consent agreement submitted by Stefan Nicholas Locklair, #35201).

Firm Registrations - The Committee recommended that the Board approve the following professional limited liability companies that were approved by the Executive Director:

Chesson & Lovell PLLC
Crouse CPA, PLLC
Zachary T. Donahue, CPA PLLC

Extension Requests - The Committee recommended that the Board approve the following individuals for extension for completion of CPE until the dates noted:

Timothy L. Kennedy, #12877 – June 30, 2016
John D. Nivens, #5168 – June 30, 2016

Letters of Warning - Staff recommended approval of the request to rescind the letter of warning awarded to the following individuals. The Committee recommended that the Board

Colleen Colgan, #34594
Devon Jefferson, #37690
Wade Kruse, #30639
Rachel Meinecke, #36734

Roger Spivey, #37582

Victoria Wilkinson, #38229

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

Rhonda Abernathey
James Addison
Emily Agostinelli
Michael Aiello
Helen Albini
Eric Albright
Megan Aleshire
Anthony Allen
Brandon Allen
Evan Andert
Hollie Ardoin
Matthew Ashman
Nicholas Atz
Brenna Aube
Anna Auslander
Alana Ayala
Tracy Ayers
Angela Bagley
Ryan Bannister
William Barnes
David Barton
De-Kia Battle
Timothy Baynes
Megan Benfield
Carley Benoit
Carrie Benton
James Benz
Abbie Bernard
Robert Bett
Tyler Betts
Alexandra Billhardt
Jarryd Blaetz
Daniel Blevins
Lynn Bodine
Danielle Bogedin
Natalie Bolick
Lauren Bolusky
Alice Bond
William Boney
Kenya Borders
Brigitte Borucki
Jeffrey Boyan
Stacie Brandhoefer
Mary Brandt
Phillip Braverman
Cindy Broccolo
Connecia Brown
Kathryn Brown
Randolph Brown
Tiffany Brown
Ashley Bryant
Penny Buckner
Cassie Bumgarner
Darius Burden
Stephanie Burgess
Shawn Burkett
Wendy Burnes
Donald Button
Sarah Cacciabaudo
Andrew Cafarella
Joshua Capps
Elizabeth Carey
Kimberly Carson
Katrina Carter
Mary Cates
Cara Chabreck
Ri Chan
Rachel Chaney
Rashida Chang
Matthew Chapman
Kathryn Chatman
Rosario Chinchay
Kimberly Clark
Adam Clayton
David Coggins
Margaret Cole

Wesley Combs
Ryan Conley
Keleigh Coppenger
Charles Cornett
Michael Corrao
Colin Craigie
Cameron Crawford
Courtney Crenshaw
Maria Crisol
Landon Crist
Natalie Cuzmenco
Willis Davenport
Joni Davis
Christianne De La Cruz
Michelle Denning
Patrick Dever
Christopher Dickson
Sarah Dietz
Rachel Dillon
Elizabeth Dimsdale
Simona Dobson
Jeremy Donabedian
Stefan Dosa
Dwayne Dowden
Christina Drake
Doina Duca
William Dudley
Stephen Duncan
Logan Dziedzic
Taylor Edge
Holly Eisensmith
Laura El-Baytam
Jefferson Ellington
Sydney Ellis
Patrick Ellison
Kasie Elmore
Michael Falcone
Xuezhi Feng
Brittany Fields
Brian Fioravante
Morgan Foody
Brennan Fox
Giovanni Franco
Laura Frazier
George Freeman
Landry Frei
Michael Funderburg
Derek Gallello
William Gammons
Lingyi Gao
Wenyu Gao
Ashleigh Gardner
Victor Gardner
Paige Garner
Chad Gibbs
Nicholas Gittin
Kelly Gooderham
Daniel Graham
Maria Grant
Logan Green
Samantha Greenberg
Thomas Greene
Kyle Grella
Cynthia Grose
Rachel Grote
Kregg Guestin
Juan Guevara
Kaitlyn Haake
Suzanne Hahn
Turner Haigwood
Kathryn Hall
William Hall
Leslie Hamilton
Taylor Hamilton
Allison Harden
Michael Hardy
Mary Harper
Andrew Harton
Autumn Hartwick
Brian Haun
Kali Havner
William Hawke
Emma Hawkins
Hannah Hayes
Melanie Hayes
Jinwon Hensley

Allison Hernandez
Juan Hernandez
Ryan Herring
Taylor Heys
Courtney Hickland
Maura Hickson
Monica Hilburn
Elizabeth Hinson
Amanda Holland
David Holmes
Jacob Hopkins
Benjamin Horne
Haley Horton
Ryan Hoyle
Travis Hudgins
Bradley Hulker
Andrew Hutchings
Kenya Iloka
John Iskander
Kevin Israel
Kimoi James
Tanya Jenkins
Lisa Johansen
Allison Johnson
Henry Johnson
Laurell Jones
Bryce Jordan
Leonnie Odette Kangaji
Gurpreet Kaur
Kelly Kay
Keith Keller
Karitsa Kerns
Collin King
Natalie Kiser
Matthew Knott
Brittain Knowles
Joseph Koon
Rachel Kraus
Jeremy Kryn
Sherry Lafon
Andrea Lambert
Katherine Lang
Matthew Leary
Edwin Lee
Keila Leverette
Qing Qing Li
Zhekang Li
Ernest Lookabill
Jacob Loyst
Keisha Lyons
Thomas MacInnes
Ryan Mack
Brendan Madigan
Allison Malone
Kathryn Manning
Dennis Marunko
Susanne Matthews
Nathaniel May
Karen McCall
Andrea McCullagh
Ashley McCullough
Henry McDonald
Kirsten McKenna
Cody McKinney
Kristen McLamb
David McNamara
Tiffany McPherson
William Meador
Daniel Michael
Allison Michaud
Jeremy Mikell
Jeremy Miller
Michael Miller
Victoria Mintz
Robert Montgomery
Alexander Moore
Zulema Moreno
Luke Morris
Joseph Morrow
Tiana Murchison
Rosemary Murphey
Baseemah Nance
Scott Nashland
Avala Nealy
Rachel Needham
Caleb Newcomb

Dustin Newton
Jasmyn Nicholas
Sarah Nicholls
Nkemjika Nwosu
Laura O'Brien
Temple Ofikulu
Edith Onabanjo
Kristle Osteen
Alynn Parker
Taylor Parks
Mark Parsells
Hamel Patel
Kenan Patel
Nilisha Patel
John Patronis
Demetrice Patterson
Reed Payne
Philip Pearce
Edward Pejeau
Joshua Peng
Libuse Perego
Kristie Ploetzke
Irina Poroshina
James Post
Jimmy Prassas
William Prevo
Kristi Propst
Antoinette Proto
Joshua Puryear
Theresa Rabbass
Natalie Reed
Joseph Reid
Brian Reynolds
Theresa Richards
Stefanee Richardson
Jazmin Rios
Connor Ritchey
Ellen Rockfeller
Timothy Rodgers
Natasha Roman
Elizabeth Ross
Autumn Rubio
Valerie Rushing
Craig Rutledge
Drew Saia
Mariana Samanez
Morgan Samuelsen
Cynthia Sandoval
Richard Sater
William Sechrist
Francesca Segrest
Shay Sellati
Elizabeth Senczy
Payal Shah
Anthony Shank
Erin Shepard
Amber Shively
Myranda Sieverding
Kimberly Silver
Raven Simon
Richard Sincerbeaux
Emily Sisk
Katherine Skinner
Lanita Slaughter
Meredith Sloboda
Dylan Smith
Henrik Smith
John Smith
William Smith
Chase Sommer
Eric Sommermann
Anna Sossaman
Aaron Sparrow
Tonya Speir
Tyshawn Spence
Stephen Spivey
Casey Stallard
Priscilla Staten
Carson Steen
Elias Stergiou
Nicholas Steward
Samantha Stoddard
Gregory Stone
Jacob Stout
Andrew Sudran
Sabrina Summers

Vevian Sun
Kelly Sweeney
Megan Switick
Kayla Sykes
Lindsay Tabbi
Willie Tate
Jordan Taunton
Tyler Tew
Lucson Thomas
William Thompson
Deana Thorps
Kavonda Thrasher
Melinda Tillman
Lindsay Tippett
Sherry Truax
Ashlyn Tuttle
Cody Underwood
Carlos Valencia
Kenneth VanSparrentak
Ashley Verhein
Derek Vogt
Eric Vozzo
Richard Wagner
Daniel Wallace
Patrick Walsh
Stephanie Walsh
Elizabeth Warren
Cooper Wasil
Joshua Waters
James Wax
Delores Weaver
Shelby Webb
William Webb
BreAnn Weeda
Patricia Weekley
Rachael Weir
Harrison Welch
Rachelle Westbrook
Andrew White
Jeffrey London White
Kristin White
Patrick White
Chelsea Wiggins
Justin Wike
Alicja Wilk
Taylor Wilk
Kristin Wilkerson
Joshua Williams
Katherine Williams
Richard Wilson
George Wise
Michael Wolfe
Sybil Wood
Darya Yakauleva
John Yancey
Polina Yarborough
Jonathan Yavorsky
Samuel Young
William Young
Alyssa Zeman
Liudmila Zill

Staff recommended that the Committee determine and accept the grades received for the January – February 2016 exams. Twenty-five files with grade reports were haphazardly selected and available at the meeting for review by a Board member. The Committee recommended that the Board approve staff recommendation.

Rescind Form of Practice Statement –Karen T. Deierhoi, CPA #17221, signed a Form of Practice Statement due to her employment. However, due to recent rule changes, staff recommended that the statement be rescinded. The Committee recommended that the Board approve staff recommendation.

CLOSED SESSION: Messrs. Cook and Biggs 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.

ADJOURNMENT: Ms. Brown and Mr. Biggs moved to adjourn the meeting at 1:41 p.m. Motion passed.

Respectfully submitted:

Robert N. Brooks
Executive Director

Attested to by:

Michael H. Womble, CPA
President

Appendix II

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2015 AND 2014

BERNARD ROBINSON & Company, L.L.P.

Certified Public Accountants and Advisors Since 1947

Greensboro, NC | Raleigh, NC | Winston-Salem, NC

Member of a Global Association of Independent Accounting and Consultancy Firms

DFK INTERNATIONAL, INC.

BOARD MEMBERS

Bucky Glover, CPA, President

Michael H. Womble, CPA, Vice-President

Wm. Hunter Cook, CPA, Secretary-Treasurer

Murchison B. ("Bo") Biggs, CPA

George W. Rohe, CPA

Jeffrey J. Truitt, Esquire

Tawannah G. Allen, Ed.D.

ADMINISTRATIVE STAFF

Robert N. Brooks, Executive Director

David R. Nance, CPA, Deputy Director

Frank X. Trainor, Esquire, Staff Attorney

OUTSIDE LEGAL COUNSEL

Allen, Pinnix & Nichols, P.A.

Noel L. Allen, Esquire

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
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Introduction

The following discussion and analysis provides an overview to assist the reader in interpreting and understanding the accompanying basic financial statements. This overview includes a comparative financial analysis with discussion of significant changes from the prior year, as well as a discussion of currently known facts, decisions, and conditions. This information is provided by the North Carolina State Board of Certified Public Accountant Examiners' (Board) management in conjunction with the issuance of the accompanying financial statements.

Overview of the Basic Financial Statements

The Statements of Net Position provide information relative to the Board's assets, liabilities, and the resulting net position as of the last day of the fiscal year. Assets and liabilities on these statements are categorized as either current or noncurrent. Current assets are those that are available to pay for expenses in the next fiscal year. Current liabilities are those payable in the next fiscal year. The Board currently has no elements that meet the definition of deferred inflows or deferred outflows. Net position on these statements is categorized as either invested in capital assets or unrestricted. Overall, the Statements of Net Position provide information relative to the financial strength of the Board and its ability to meet current and long-term obligations.

The Statements of Revenues, Expenses, and Changes in Net Position provide information relative to the results of the Board's operations, non-operating activities, and other activities affecting net position that occurred during the fiscal year. Operating activities include the licensure and examination activities for the public practice of accountancy in the State. Non-operating activities include primarily investment income and office rental activities for a portion of the Board-owned building. Overall, the Statements of Revenues, Expenses, and Changes in Net Position provide information relative to the Board's management of its operations and its ability to maintain its financial strength. The above statements are articulated by agreeing the ending net position reported on both statements.

The Statements of Cash Flows provide information relative to the Board's sources and uses of cash funds for operating activities, capital financing activities, and investing activities. These statements provide a reconciliation of beginning cash balances to ending cash balances and is representative of activity reported on the Statements of Revenues, Expenses, and Changes in Net Position as adjusted for changes in beginning and ending balances of noncash accounts on the Statements of Net Position.

The three statements described above are the basic financial statements required by the Governmental Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the Board as a whole and use reporting concepts in a manner similar to that required of a business enterprise. The financial statement balances reported are presented in a classified format to aid the reader in understanding the nature of the financial statement balances.

In using the basic financial statements, the Notes to the Financial Statements accompanying the basic financial statements should be read in conjunction with the basic financial statements. The Notes to the Financial Statements provide information relative to the significant accounting principles applied in the basic financial statements, authority for and associated risk of deposits and investments, detailed information on capital assets and noncurrent liabilities, revenues and expenses, required information on pension plans, insurance against losses, commitments and contingencies, accounting changes, and if necessary a discussion of adjustments to prior periods and events subsequent to the Board's financial statement period. Overall, the Notes to the Basic Financial Statements provide information to better understand details, risk, and uncertainty associated with amounts reported in the basic financial statements.

Brief Agency Highlights

The Board is an occupational licensing board that grants certificates of qualification as certified public accountants (CPAs) to those individuals who meet the statutory requirements. The Board also adopts and enforces the Rules of Professional Ethics and Conduct to be observed by CPAs in this State. Other functions of the Board include registration of CPA firms; renewal of CPA certificates and CPA firm registrations; administration of the Uniform CPA Examination; disposition of administrative hearings with respect to State statutes and rules; and administration of other provisions of Chapter 93 of the *North Carolina General Statutes.*

Analysis of Financial Position and Results of Operations

The Board's net position as of March 31, 2015 and March 31, 2014, was approximately $2.54 million and $2.43 million, respectively, an increase of approximately $105,000 during the year. *(With the exception of the dollar and percentage amounts detailed in the following tables, all other dollar amounts have been rounded/approximated for presentation purposes.)*

Condensed Financial Information

The following table summarizes the North Carolina State Board of Certified Public Accountant Examiners' assets, liabilities and net position as of March 31, 2015, 2014 and 2013.

	Condensed Statements of Net Position					
	2015	2014	% Change	2014	2013	% Change
Assets:						
Current assets	**$ 1,719,498**	$1,968,146	-12.63%	$1,968,146	$1,267,240	55.31%
Noncurrent assets	**492,729**	-	100.00%	-	638,235	-100.00%
Capital assets, net	**911,009**	954,524	-4.56%	954,524	980,772	0.00%
Total assets	**3,123,236**	2,922,670	6.86%	2,922,670	2,886,247	-44.69%
Liabilities:						
Current liabilities	**514,283**	420,011	22.45%	420,011	502,393	-16.40%
Noncurrent liabilities	**73,432**	72,149	1.78%	72,149	64,208	12.37%
Total liabilities	**587,715**	492,160	19.42%	492,160	566,601	-13.14%
Net Position:						
Invested in capital assets	**911,009**	954,524	-4.56%	954,524	980,772	-2.68%
Unrestricted	**1,624,512**	1,475,986	10.06%	1,475,986	1,338,874	10.24%
Total net position	**$ 2,535,521**	$2,430,510	4.32%	$2,430,510	$2,319,646	4.78%

Current Assets

Current assets as of March 31, 2015, consisted primarily of cash of $517,000, investments of $1,196,000, and receivables of $6,000. Current assets as of March 31, 2014, consisted primarily of cash of $664,000, investments of $1,302,000, and receivables of $2,000.

Current assets decreased during the fiscal year March 31, 2015, due to the decrease in cash and short-term certificates of deposit as the Board invested more funds in certificates of deposit that mature beyond the one-year period for classification as current assets.

Noncurrent Assets and Capital

Noncurrent assets as of March 31, 2015, consisted of investments, $493,000, and capital assets totaling $911,000. Noncurrent assets as of March 31, 2014, consisted of capital assets totaling $955,000.

Noncurrent assets increased during the fiscal year March 31, 2015 due to the Board's investment in certificates of deposit with maturity periods greater than one year totaling $493,000 as well as the expected depreciation expense related to capital assets.

Liabilities

Current liabilities as of March 31, 2015, consisted primarily of accounts payable of $38,000, due to examination vendors of $445,000, unearned revenue of $27,000, and accrued compensated absences of $5,000. Current liabilities as of March 31, 2014, consisted primarily of accounts payable of $31,000, due to examination vendors of $382,000, and accrued compensated absences of $6,000. The net increase in current liabilities is primarily due to a $63,000 increase in the amount due to examination vendors related to a greater number of candidates sitting for the exam and a $27,000 increase in unearned revenue as a greater number of licensees renewed their license prior to the beginning of the new fiscal year.

Noncurrent liabilities consisted entirely of accrued compensated absences in the amount of $73,000 and $72,000 as of March 31, 2015 and 2014, respectively. The amount increased during the current year to properly reflect the above amount to be paid.

Net Position

The Board's net position consists of net assets invested in capital assets and unrestricted net assets. Net assets invested in capital assets were $911,000 and $955,000 as of March 31, 2015 and 2014, respectively. Unrestricted net assets of $1.62 and $1.48 million as of March 31, 2015 and 2014, respectively, represent amounts not subject to externally imposed stipulations, but subject to internal designations for various activities and initiatives.

For the year ended March 31, 2015, the increase in net position of approximately $105,000 is primarily attributable to increased revenue from candidates taking the Uniform CPA exam.

The Statements of Revenues, Expenses, and Changes in Net Position present the results of the Board's operations for the report period. The following table summarizes the Board's revenues, expenses, and changes in net position for the years ended March 31, 2015, 2014 and 2013.

Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended March 31,

	2015	2014	% Change	2014	2013	% Change
Operating revenues:						
Exam fees	**$ 1,435,724**	$1,292,925	11.04%	$1,292,925	$1,435,721	-9.95%
Certificate fees	**1,360,270**	1,331,320	2.17%	1,331,320	1,295,485	2.77%
Miscellaneous	**12,348**	9,248	33.52%	9,248	10,589	-12.66%
Operating expenses	**(2,733,238)**	(2,557,971)	6.85%	(2,557,971)	(2,741,057)	-6.68%
Operating income	**75,104**	75,522	-0.55%	75,522	738	10133.33%

(Table continued on next page.)

(Table continued from previous page.)

Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended March 31,

	2015	2014	% Change	2014	2013	% Change
Non-operating revenues	**$ 47,673**	$ 50,728	-6.02%	$ 50,728	$ 55,279	-8.23%
Non-operating expenses	**(17,766)**	(15,386)	15.47%	(15,386)	(17,623)	-12.69%
	29,907	35,342	-15.38%	35,342	37,656	-6.15%
Increase in net position	**105,011**	110,864	-5.28%	110,864	38,394	188.75%
Net position beginning of year	**2,430,510**	2,319,646	4.78%	2,319,646	2,281,252	1.68%
Net position end of year	**$ 2,535,521**	$2,430,510	4.32%	$2,430,510	$2,319,646	4.78%

Operating Revenues

For the fiscal year ended March 31, 2015, operating revenues totaled $2.81 million, consisting primarily of exam fee revenue of $1.44 million and licensing fee revenues of $1.36 million. For the fiscal year ended March 31, 2014, operating revenues totaled $2.63 million, consisting primarily of exam fee revenue of $1.29 million and licensing fee revenues of $1.33 million.

Non-Operating Revenues

For the fiscal year ended March 31, 2015, non-operating revenues totaled $48,000, primarily from interest income of $15,000 and rental income of $32,000. For the fiscal year ended March 31, 2014, non-operating revenues totaled $51,000, primarily from interest income of $19,000 and rental income of $31,000. The significant change in non-operating revenue activity is related to a decrease in interest earnings due to expiring certificates of deposit and their renewals at a lower interest rate.

The following table summarizes the Board's expenses (operating and non-operating) for the reporting periods.

Operating and Non-Operating Expenses
For the Fiscal Years Ended March 31,

	2015	2014	% Change	2014	2013	% Change
Operating expenses:						
Salaries and employee benefits	**$ 1,202,336**	$1,189,002	1.12%	$1,189,002	$1,211,822	-1.88%
Examination	**977,226**	857,776	13.93%	857,776	979,094	-12.39%
Office expenses	**401,927**	390,646	2.89%	390,646	383,013	1.99%
Depreciation	**44,430**	50,424	-11.89%	50,424	56,874	-11.34%
Other expenses	**107,319**	70,123	53.04%	70,123	110,254	-36.40%
Total operating expenses	**$ 2,733,238**	$2,557,971	6.85%	$2,557,971	$2,741,057	-6.68%
Non-operating expenses	**$ 17,766**	$ 15,386	15.47%	$ 15,386	$ 17,623	-12.69%

For the fiscal year ended March 31, 2015, salary and employee benefits expenses increased by $13,000 due to cost-of-living increases. Examination costs increased by $119,000 as a greater number of candidates sat for the exam during the year. Office expenses increased due to rising costs related to the printing and mailing of the monthly newsletter as well as higher hearing and legal costs related to Board actions taken during the year. Depreciation expense decreased as assets are expensed in accordance with their useful lives. Other costs increased as the Board awarded $8,000 more in scholarships during the year and incurred additional building costs of $8,000, related to repairs and maintenance on the roof.

Economic Factors That Will Affect the Future

The main factors impacting the economic outlook for the Board are the number of candidates seeking to sit for the Uniform Certified Public Accountants examination and the number of licensees registered with the State.

The Board derives 98% of its revenues from examination and licensing fees. Exam revenues increased this past year after declining slightly over the previous two years. The Board anticipates an equal or slightly higher number of examination sections to be taken by examination candidates for the next fiscal year. Licensing fees have shown a minor increase as the number of active licensees in North Carolina has increased; however, some of that increase is tempered by retirements and licensees being granted inactive status. The Certified Public Accountant credential is highly regarded in the business world and the Board expects candidates to continue to seek licensure for the foreseeable future.

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives and expends. If you have any questions about this report or need additional information, contact:

North Carolina State Board of Certified Public Accountant Examiners
Post Office Box 12827
Raleigh, North Carolina 27605-2827

Independent Auditor's Report

Members of the Board
North Carolina State Board of Certified Public Accountant Examiners
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina State Board of Certified Public Accountant Examiners (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of March 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Certified Public Accountant Examiners as of March 31, 2015 and 2014, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, these financial statements are presented only for the North Carolina State Board of Certified Public Accountant Examiners and do not purport to and do not present fairly the financial position of the State of North Carolina as of March 31, 2015 and 2014, nor the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of budget and actual - revenues, expenses, and changes in net position, on page 20, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
July 20, 2015

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
Statements of Net Position
March 31, 2015 and 2014

	2015	2014
ASSETS:		
Current assets:		
Cash	**$ 517,150**	$ 664,224
Short-term investments	**1,195,970**	1,301,686
Accounts receivable	**6,378**	1,000
Deferred lease commission	**-**	1,236
Total current assets	**1,719,498**	1,968,146
Noncurrent assets:		
Investments	**492,729**	-
Capital assets, non-depreciable (Note 5)	**300,000**	300,000
Capital assets, depreciable, net (Note 5)	**611,009**	654,524
Total noncurrent assets	**1,403,738**	954,524
Total assets	**3,123,236**	2,922,670
LIABILITIES:		
Current liabilities:		
Accounts payable	**37,927**	30,881
Unearned revenue	**26,700**	540
Due to examination vendors	**445,085**	382,145
Compensated absences - current portion	**4,571**	6,445
Total current liabilities	**514,283**	420,011
Noncurrent liabilities:		
Compensated absences (Note 4)	**73,432**	72,149
Total noncurrent liabilities	**73,432**	72,149
Total liabilities	**587,715**	492,160
NET POSITION:		
Net investment in capital assets	**911,009**	954,524
Unrestricted	**1,624,512**	1,475,986
Total net position	**$ 2,535,521**	$ 2,430,510

See Notes to Financial Statements

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended March 31, 2015 and 2014

	2015	2014
Operating revenues:		
Examination fees	$ 1,435,724	$ 1,292,925
Licensing fees	1,360,270	1,331,320
Miscellaneous	12,348	9,248
Total operating revenues	2,808,342	2,633,493
Operating expenses:		
Salaries and employee benefits	1,202,336	1,189,002
Examination	977,226	857,776
Office expenses	96,534	102,333
Postage and printing	159,546	147,557
Travel	96,369	83,782
Maintenance and computer support	49,478	56,974
Depreciation	44,430	50,424
Legal and investigative costs	36,511	18,745
Insurance	17,760	18,652
Dues and subscriptions	12,511	9,188
Scholarships	12,000	4,000
Building	28,537	19,538
Total operating expenses	2,733,238	2,557,971
Operating income	75,104	75,522
Non-operating revenues (expenses):		
Interest income	15,477	19,234
Rental income	32,146	31,209
Rental building expenses	(17,766)	(15,386)
Gain on the sale of equipment	50	285
Total non-operating revenues	29,907	35,342
Changes in net position	105,011	110,864
Net position - beginning of year	2,430,510	2,319,646
Net position - end of year	$ 2,535,521	$ 2,430,510

See Notes to Financial Statements

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
Statements of Cash Flows
Years Ended March 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from fees	$ 2,822,154	$ 2,624,245
Cash received from other amounts	1,706	1,548
Cash payments to employees for services	(1,195,827)	(1,200,052)
Cash payments to suppliers for goods and services	(1,272,582)	(1,252,960)
Cash payments for other expenses	(138,640)	(115,802)
Net cash provided by operating activities	216,811	56,979
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(14,078)	(30,239)
Proceeds from the sale of capital assets	50	285
Net cash used in capital and related financing activities	(14,028)	(29,954)
Cash flows from investing activities:		
Proceeds from maturing investments	1,300,674	1,018,674
Purchases of investments	(1,687,687)	(664,664)
Non-operating rental activities	21,679	23,740
Interest income	15,477	19,234
Net cash provided by (used in) investing activities	(349,857)	396,984
Increase (decrease) in cash	(147,074)	424,009
Cash - beginning of year	664,224	240,215
Cash - end of year	$ 517,150	$ 664,224
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 75,104	$ 75,522
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	44,430	50,424
Loss on disposal of vehicle (Note 5)	7,100	-
Changes in assets and liabilities:		
Accounts receivable	(5,378)	5,474
Accounts payable	7,046	5,283
Unearned revenue	26,160	(180)
Due to examination vendors	62,940	(68,494)
Accrued vacation	(591)	(11,050)
Total adjustments	141,707	(18,543)
Net cash provided by operating activities	$ 216,811	$ 56,979

See Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The North Carolina State Board of Certified Public Accountant Examiners (Board) is an independent State agency. It is an occupational licensing board authorized by Chapters 93 and 93B of the *North Carolina General Statutes.* The Board is composed of seven members: five persons who are holders of valid and unrevoked certified public accountant certificates issued under the provisions of Chapter 93, and two persons who are not certified public accountants and represent the public at large.

The Board's primary responsibilities are to administer the Uniform CPA Examination, to grant certificates of qualification as certified public accountants to qualified persons, to register certified public accounting firms, adopt and enforce the Rules of Professional Ethics and Conduct to be observed by CPAs in this State, and to enforce all statutes and rules of *North Carolina General Statutes* Chapter 93 and the *North Carolina Administrative Code,* Title 21, Chapter 08.

The Board had 20,238 and 19,784 licensees as of March 31, 2015 and 2014, respectively.

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's *Comprehensive Annual Financial Report* (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Presentation

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB).

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic measurement focus measures all assets that are available to the entity, not only cash or soon to be cash assets. Both long-term assets and long-term liabilities are measured, and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned when the license period begins on July 1st.

The Board classifies its revenues as operating or non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of examination and license fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.*

Non-operating revenues and expenses consist primarily of rental and investing type activities. Building expenses are allocated to operating or non-operating activities based on square footage.

Cash

This classification includes cash on deposit and money market accounts with private bank accounts.

Investments

This classification includes non-negotiable certificates of deposit with original maturities of more than three months. Certificates of deposit maturing within one year are shown as current. The certificates of deposit are reported at fair market value, which is cost plus accrued interest to date.

Receivables

Receivables consist of amounts due from administrative proceedings and are shown at book value with no provision for doubtful accounts considered necessary.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The Board capitalizes assets that have a value or cost of $500 or greater at the date of acquisition and an expected useful life of in excess of two years.

Building and improvements	10 - 40 years
Furniture	7 - 10 years
Equipment	5 - 10 years
Software	5 years
Vehicles	5 years

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the financial records. Any gain or loss on disposition is reflected in non-operating revenue or expense for the year.

The Board occupies 75% of its building while leasing the other 25% of the building, which is accounted for as a non-operating activity.

Noncurrent Liabilities

Noncurrent liabilities consist of compensated absences that will not be paid within the next fiscal year.

Compensated Absences

Employees are permitted to accumulate earned but unused vacation pay benefits and all vacation pay is accrued when incurred. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) basis. The Board's policy provides for a maximum accumulation of unused vacation leave of 30 days for staff members and 45 days for the Executive and Deputy Directors which can be carried forward each April 1st, or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days as of March 31 is converted to sick leave.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. There is no liability for unpaid accumulated sick leave because the Board has no obligation to pay sick leave upon employee termination or retirement.

Net Position

Investment in capital assets - This represents the Board's total investment in capital assets, net of accumulated depreciation.

Unrestricted net position - This represents assets with no external restriction as to use or purpose. They can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

The following designations of net assets represent management's estimates that are subject to change based on perceived operating conditions and situations.

Litigation	$ 750,000
Operating expenses	300,000
Capital asset acquisitions and/or improvements	100,000
	$1,150,000

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the Board are deposited in board-designated official depositories or brokerage firms. The Board's deposits include cash on deposit with private bank accounts, money market accounts, and certificates of deposit. At March 31, 2015, deposits in private financial institutions, with a carrying value of $2,205,849 and a bank balance of $2,223,101, consists of cash and investments, as shown on the Statements of Net Position. Included in the deposits in private financial institutions are certificates of deposit in the amount of $1,688,699 reported as investments in the Statements of Net Position.

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a formal deposit policy for custodial credit risk. The Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Board's bank deposits in excess of the FDIC insured limit totaled $141,148 at March 31, 2015.

There are no legal limitations on the types of investments by the Board. The Board has adopted formal investment policies to establish investment objectives, standards of prudence, eligible investments, and safekeeping and custodial procedures necessary for the prudent management of the private funds maintained by the Board.

The Board is subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. In accordance with its investment policy, the Board manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. For its major investment type, certificates of deposit, maturities may not exceed 24 months.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board manages credit risk by diversifying its investment portfolio. Investments are limited to:

- Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States
- Obligations of the State of North Carolina
- Time deposits, certificates of deposit, and savings accounts in financial institutions with a physical presence in North Carolina
- Corporate bonds of North Carolina-based industries

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at March 31, 2015, for the Board's investments.

		Properties of Debt Securities	
Investment Type	Fair Value	Weighted Average Maturities	Ratings
Other securities:			
Certificates of deposit	$1,688,699	9.2 Months	N/A

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

A reconciliation of deposits and investments for the Board to the basic financial statements at March 31, 2015, is as follows:

Carrying amount of deposits with private financial institutions	$ 127,224
Money market mutual funds	389,926
Investments in certificates of deposit	1,688,699
Total deposits and investments	$2,205,849
Current:	
Cash	$ 517,150
Short-term investments	1,195,970
Noncurrent:	
Investments	492,729
Total deposits and investments	$2,205,849

NOTE 3 - UNEARNED REVENUE

The Board defers revenue recognition in connection with resources that have been received, but not yet earned. Certificate renewal fees are collected in advance and recorded as unearned revenue at year-end to be recognized as revenue when the license period begins in the next fiscal year. Unearned revenue reported was $26,700 and $540 for the periods ended March 31, 2015 and 2014, respectively.

NOTE 4 - NONCURRENT LIABILITIES

A summary of changes in non-current liabilities for the year ended March 31, 2015, is presented as follows:

	Balance April 1, 2014	Additions	Deletions	Balance March 31, 2015	Current Portion
Compensated absences	$ 78,594	$ 80,789	$ 81,380	$ 78,003	$ 4,571

NOTE 5 - CAPITAL ASSETS

Changes in capital assets as of and for the year ended March 31, 2015 are as follows:

	Balance April 1, 2014	Additions	Deletions	Balance March 31, 2015
Capital assets, non-depreciable:				
Land and improvements	$ 300,000	$ -	$ -	$ 300,000
Capital assets, depreciable:				
Building	926,384	5,400	-	931,784
Furniture	113,918	-	-	113,918
Equipment	189,683	8,678	(5,898)	192,463
Software	180,337	-	-	180,337
Vehicles	26,622	-	(26,622)	-
Total capital assets, depreciable	1,436,944	14,078	(32,520)	1,418,502
Less accumulated depreciation:				
Building	(340,479)	(24,957)	-	(365,436)
Furniture	(113,335)	(320)	-	(113,655)
Equipment	(136,797)	(17,693)	5,898	(148,592)
Software	(176,724)	(3,086)	-	(179,810)
Vehicles	(15,085)	(4,437)	19,522	-
	(782,420)	(50,493)	25,420	(807,493)
Total capital assets, depreciable, net	654,524	(36,415)	(7,100)	611,009
Capital assets, net	$ 954,524	$ (36,415)	$ (7,100)	$ 911,009

Depreciation charged to operations and non-operations was $44,430 and $6,063, respectively.

During the year, the ownership of the Board's company vehicle was transferred to the Executive Director and the net book value of $7,100 was recorded as payroll expense in the accompanying Statement of Revenues, Expenses and Changes in net position and treated as compensation to the Executive Director.

NOTE 6 - EMPLOYEE PENSION PLAN

The Board participates in the North Carolina Licensing Board Retirement Savings Plan (Plan), which is a defined contribution plan created under Internal Revenue Code Section 401(k) for eligible employees. The Employer, defined as the eight participating licensing boards, is empowered to appoint and remove the Trustee and Administrator. The Plan is administered by Prudential Insurance Company of America.

NOTE 6 - EMPLOYEE PENSION PLAN (Continued)

Employees are eligible to participate in the Plan immediately upon employment. For each year of service, employer contributions and the applicable earnings vest 20% per year. A 6% contribution, based on eligible employee compensation, is made monthly by both the Board and the employee to the individual employee accounts. Employees are permitted to make additional voluntary contributions to the Plan up to the applicable Internal Revenue Code limits. Employee contributions and the applicable earnings on those contributions vest immediately. Nonvested Board contributions and the applicable earnings are forfeited upon termination from employment to the applicable participating licensing board. Administrative expenses are paid by the participating licensing boards in accordance to the boards' percentage of the total plan assets.

Board pension costs including administrative fees, totaled $56,006 and $55,985 for fiscal years 2015 and 2014, respectively. Employee contributions totaled $86,183 and $103,189 for fiscal years 2015 and 2014, respectively. The Board had no forfeitures in fiscal years 2015 or 2014.

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are managed using a combination of methods, including purchase of commercial insurance and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Public Officers and Employees Liability Insurance - Tort claims against Board members of up to $1,000,000 are retained by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board through the purchase of excess public officers' and employees' liability insurance with a private insurance company.

Fire, Automobile, and Other Loss Insurance - Fire, coverage for other property losses, and vehicular liability insurance are covered by contracts with a private insurance company.

Cyber Risk Insurance - The Board is protected for losses due to risks associated with e-business, the Internet, networks and informational assets with a private insurance company.

Employee and Computer Fraud - The Board is protected for losses from employee dishonesty and computer fraud with a private insurance company.

Comprehensive Major Medical Plan - Employees are provided health care coverage by Blue Cross Blue Shield of North Carolina. The Plan is funded by employer and employee contributions.

The Board makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act by purchasing workers' compensation insurance for employees through a private insurance company.

NOTE 8 - LEASE REVENUE - NONOPERATING

In December 2011, the Board entered into a three-year agreement to lease office space to The Family Resource Center of Raleigh, Inc. The lease agreement called for monthly payments of $2,500 to be paid for the first year with a three percent annual increase in monthly payment amounts. The Board also incurred $5,564 for a lease commission that is recognized as an expense over the term of the lease. The lease was renewed for 12 months beginning on December 1, 2014, payable in equal monthly installments of $2,732. Future minimum lease payments to be received under the lease agreement total $21,856 for the year ending March 31, 2016. The lease can be renewed for an additional 12-month term, for up to two additional years, with an annual rent increase of 3% per year.

NOTE 9 - SCHOLARSHIP AWARD PROGRAMS

The *North Carolina General Statute* 93B-11 allows occupational licensing boards to use the interest earned on their funds for educational purposes to benefit licensees or the public. The Board provides these services through a Uniform CPA Examination "coupon" program and a graduate-level scholarship award program.

The Board awards a coupon, available to one financially-needy student graduating with an undergraduate degree in accounting, to each of the 36 North Carolina colleges and universities which grant undergraduate accounting degrees. Additional coupons are awarded at each of North Carolina's historically black colleges and universities. The coupons are valid for one year from the date of issue and cover the graduating student's initial application fee and the cost of sitting for each section of the Uniform CPA Examination. The current value of each coupon is $959. The Board accounts for the coupon program by netting the costs associated with the actual redeemed coupons against its examination fee revenues. The cost of the coupon program totaled $26,854 and $16,228 for fiscal years 2015 and 2014, respectively.

The Board also awards a $1,000 scholarship to one financially-needy student pursuing a graduate-level degree at each of the ten North Carolina colleges and universities that offer a graduate-level degree in accounting. The scholarship is awarded through the college or university in the student's name. The Board accounts for the scholarship program by reporting a scholarship expense at the time the funds are disbursed to the awarding college or university. The cost of the scholarship program totaled $12,000 and $4,000 for fiscal years 2015 and 2014, respectively.

The costs for the scholarship award programs include the use of interest earned on the Board's funds during the year.

NOTE 10 - RECLASSIFICATION

Information related to operating expenses in the 2014 Statement of Cash Flows has been reclassified to conform to the 2015 presentation.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through July 20, 2015, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 90 hours at a cost of $8,730.

SUPPLEMENTARY INFORMATION

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
Schedules of Budget and Actual - Revenues, Expenses, and Changes in Net Position
Years Ended March 31, 2015 and 2014

	2015			2014		
	(Unaudited) Budget	Actual	Over (under) Budget	(Unaudited) Budget	Actual	Over (under) Budget
Revenues:						
Examination fees	**$1,312,210**	**$1,435,724**	**$ 123,514**	$1,415,834	$1,292,925	$ (122,909)
Licensing fees	**1,362,540**	**1,360,270**	**(2,270)**	1,307,120	1,331,320	24,200
Other	**56,645**	**60,021**	**3,376**	59,250	59,976	726
Total revenues	**2,731,395**	**2,856,015**	**124,620**	2,782,204	2,684,221	(97,983)
Expenses:						
Personnel	**1,290,674**	**1,237,239**	**(53,435)**	1,268,114	1,220,169	(47,945)
Examination	**926,400**	**978,701**	**52,301**	1,001,400	859,216	(142,184)
Scholarship	**11,000**	**12,000**	**1,000**	10,000	4,000	(6,000)
Office	**329,300**	**331,367**	**2,067**	321,800	336,027	14,227
Board and legal	**123,495**	**97,977**	**(25,518)**	128,799	65,733	(63,066)
Building	**51,050**	**43,227**	**(7,823)**	37,350	31,725	(5,625)
Depreciation	**-**	**50,493**	**50,493**	-	56,487	56,487
Total expenses	**2,731,919**	**2,751,004**	**19,085**	2,767,463	2,573,357	(194,106)
Changes in net position	**(524)**	**105,011**	**105,535**	14,741	110,864	96,123
Net position - beginning of year	**2,430,510**	**2,430,510**	**-**	2,319,646	2,319,646	-
Net position - end of year	**$2,429,986**	**$2,535,521**	**$ 105,535**	$2,334,387	$2,430,510	$ 96,123

Budgetary Information

Annual budgets are adopted by the Board and prepared and reported on the accrual basis of accounting. The budget prepared for fiscal year ended March 31, 2015 identifies major sources of revenue and expenses. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding years.

American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

December 04, 2015

Henry White
North Carolina Association of CPAs
P.O. Box 80188
Raleigh, NC 27603

Dear Mr. White:

On November 30, 2015 the AICPA Peer Review Board Oversight Task Force accepted the report and letter of procedures and observations on the most recent oversight visit for the North Carolina Association of CPAs, the administering entity for the AICPA Peer Review Program, and the administering entity's response thereto. A copy of this acknowledgement, the two oversight visit documents, and your response have now been posted to the AICPA Peer Review Program Web site.

The next state oversight visit will be in 2017.

The AICPA Peer Review Board appreciates your cooperation and efforts in making the peer review program a success.

Sincerely,

Debra Seefeld

Debra Seefeld, Chair
Oversight Task Force
AICPA Peer Review Board

cc: James T. Ahler, CAE, State Society CEO
Mary Kelly, North Carolina Association of CPAs
Laurel Gron, AICPA Peer Review Program Technical Manager

AICPA® Peer Review Program

American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

Oversight Visit Report

August 20, 2015

To the Peer Review Committee
North Carolina Association of
Certified Public Accountants

We have reviewed the North Carolina Association of Certified Public Accountants' administration of the AICPA Peer Review Program as part of our oversight program. Our procedures were conducted in conformity with the guidance established by the AICPA Peer Review Board (the "Board") as contained in the *AICPA Peer Review Program Oversight Handbook.* The administering entity is responsible for administering the AICPA Peer Review Program in compliance with the AICPA *Standards for Performing and Reporting on Peer Reviews* (the "Standards"), interpretations, and other guidance established by the Board. Our responsibility is to determine whether (1) administering entities are complying with the administrative procedures established by the Board as set forth in the *AICPA Peer Review Administrative Manual*, (2) the reviews are being conducted and reported on in accordance with the Standards, (3) the results of the reviews are being evaluated on a consistent basis by all administering entity peer review committees, and (4) information disseminated by administering entities is accurate and timely.

Based on the results of the procedures performed, we have concluded that the North Carolina Association of Certified Public Accountants has complied with the administrative procedures and Standards in all material respects as established by the Board.

As is customary, we have issued a letter of oversight visit procedures and observations that details the oversight procedures performed and sets forth recommendations that were not considered to be of sufficient significance to affect the conclusions expressed in this report.

J. Phillip Coley, Member, Oversight Task Force
AICPA Peer Review Program

AICPA® Peer Review Program

American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

August 20, 2015

To the Peer Review Committee
North Carolina Association of
Certified Public Accountants

We have reviewed the North Carolina Association of Certified Public Accountants' (the "Association") administration of the AICPA Peer Review Program (the "Program") as part of our oversight program and have issued our report thereon dated August 20, 2015. That report should be read in conjunction with the observations in this letter, which were considered in determining our conclusions. The observations described below were not considered to be of sufficient significance to affect the conclusions expressed in that report.

The oversight visit was conducted according to the procedures in the *AICPA Peer Review Program Oversight Handbook*. An oversight program is designed to improve the administering entity's administration of the AICPA Peer Review Program through feedback on its policies and procedures, and to provide resource assistance from an AICPA Peer Review Board (the "Board") Oversight Task Force member on both technical and administrative matters.

In conjunction with the oversight visit of the Association, the administering entity for the Program, conducted on August 19th and 20th, 2015, the following observations are being communicated.

Administrative Procedures

On the morning of August 19, 2015, Debra Seefeld, a member of the Board's Oversight Task Force, and I met with the Association's Peer Review Coordinator to review the Program's administration. We believe the administrative processes were being handled in a manner consistent with peer review standards.

We reviewed the files which were still open due to follow-up actions and which had not yet been completed. We found that the follow-up actions were being effectively monitored for completion by the administrative staff and the peer review committee.

We also reviewed the policies and procedures for the granting of extensions. We found that the Peer Review Coordinator handles short-term extension requests with discussion from the committee when the circumstances warrant.

We also reviewed the timeliness of the scheduling process, technical reviews, and the preparation of acceptance and follow-up letters. We found no problems in these areas.

The Association has developed a back-up plan to support the Peer Review Coordinator and the Technical Reviewers if they become unable to serve in their respective capacities.

Web Site

We met with the Peer Review Coordinator to review the administering entity's procedures to determine if the information disseminated regarding the AICPA Peer Review Program by the administering entity on their web site is accurate and timely.

After the AICPA's review of the web site material and our review of other disseminated peer review materials, we noted that the administering entity maintains and disseminates current information as it relates to the peer review program. In addition, the administering entity has individuals who are responsible for maintaining the web site and monitors the web site to ensure peer review information is accurate and timely.

Working Paper Retention

We reviewed the completed working papers for several reviews and found compliance with the working paper retention policies.

Technical Review Procedures

On the morning of August 20, 2015, we met with two of the Technical Reviewers to discuss procedures. All technical reviews are performed by experienced reviewers.

We reviewed the reports, letters of response, if applicable, and the working papers for twenty four of the thirty one reviews being presented to the report acceptance bodies ("RABs") on August 20, 2015. We believe that all review issues were addressed properly by the Technical Reviewers before the reviews were presented to the RABs which contributed to an effective and efficient acceptance process.

Review Presentation

Reviews are brought to the RABs without open technical issues. Accordingly, it was not necessary for the RABs to spend a great deal of time reviewing specific technical issues.

Committee and RAB Procedures

We met with the committee chair and discussed their procedures for disseminating the comments resulting from the AICPA working paper oversights to the appropriate individuals. Noting that there will be significant reductions in these oversights in the future, it was determined the committee had issued reviewer feedback related to these comments when appropriate.

On August 20, 2015, we attended the three on-site RAB meetings as well as the peer review committee meeting. We observed the RABs' acceptance process and offered our comments at the close of discussions.

The RAB meetings were very orderly and it was apparent that the RAB members had reviewed the reports and working papers thoroughly prior to the meetings and had a good understanding of the Program to reach an appropriate decision for each review.

Appropriate decisions were made in the acceptance process, appropriate follow-up actions were assigned, and reviewers were being appropriately monitored. Reviews were being presented to the RABs on a timely basis.

Oversight Program

The Association's peer review committee has adopted a formal oversight program that is well documented. We reviewed the document and procedures performed and found it to be comprehensive.

Summary

There are no further observations to be communicated to the North Carolina Association of Certified Public Accountants.

J. Phillip Coley, Member, Oversight Task Force
AICPA Peer Review Program

AICPA®

October 22, 2015

Debra Seefeld, CPA
Chair
AICPA Peer Review Board
Oversight Task Force
Palladian I Corporate Center
220 Leigh Farm Road
Durham, NC 27707-8110

Re: 2015 AICPA Oversight Visit to North Carolina Association of CPAs

Dear Ms. Seefeld:

This letter represents our response to the report and letter of procedures and observations issued in connection with the review of North Carolina's administration of the AICPA Peer Review Program on August 19-20, 2015. The oversight visit documents have been disseminated to all NCACPA Peer Review Committee members, technical reviewers, and administrative staff. We are pleased to note there were no specific deficiencies or observations included in the oversight documents on which a written response was required. This letter represents our acknowledgement of the oversight visit.

We appreciate the review J. Phillip Coley and Debra Seefeld performed of our administration of the AICPA Peer Review Program.

Sincerely,

Henry L. White, CPA
Chair
NCACPA Peer Review Committee

cc: James T. Ahler, CAE, NCACPA CEO
Mary C. Kelly, NCACPA Peer Review Coordinator
Laurel Gron, CPA, AICPA Technical Manager

NORTH CAROLINA
WAKE COUNTY

BEFORE THE NORTH CAROLINA STATE BOARD OF
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
CASE #: C2015298-2

IN THE MATTER OF:
Mary C. Christy, CPA
Respondent Firm

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. Mary C. Christy, CPA (hereinafter "Respondent firm"), is a registered certified public accounting firm in North Carolina.

2. Respondent firm received a "fail" on its most recent system peer review, with an acceptance letter date of August 25, 2015.

3. In accordance with 21 NCAC 08M .0106 requirements for all failed and second passed with deficiencies peer review reports, Respondent firm submitted to the Board a package that included the Peer Review Report, Letter of Response, and Final Letter of Acceptance.

4. The failed system peer review noted a material departure from Generally Accepted Auditing Standards ("GAAS") by Respondent firm.

5. Respondent firm 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 firm 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 firm 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.

2. Respondent firm's failure to comply with GAAS is a violation of 21 NCAC 08N .0403 and .0212.

3. By virtue of Respondent firm's consent to this order, Respondent firm is subject to the discipline set forth below.

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

1. Respondent firm is censured.

2. Respondent firm shall provide a written statement to the Board that it will no longer be participating in, performing, or reviewing any audit engagements subject to peer review.

3. Prior to Respondent firm participating in, performing, or reviewing any engagements subject to peer review, Respondent firm shall be required to complete the following:

   a. Each of Respondent firm's professional staff participating in any audit engagements shall take a minimum of eight (8) hours each of group study CPE coursework related to Audit Planning, Audit Documentation, and Audit Reporting as part of their annual CPE requirements until such time as Respondent firm receives a pass on a system peer review; and

   b. Pre-issuance reviews, to be performed by a pre-issuance reviewer approved by the Board, for all future audit engagements until determination is made by the Board that said engagements can be performed by Respondent firm in accordance with applicable standards.

CONSENTED TO THIS THE 7th (Day) DAY OF JUNE (Month), 2016 (Year).

Mary C. Christy
Individual authorized to sign on behalf of Respondent Firm

APPROVED BY THE BOARD THIS THE 25 (Day) DAY OF JULY (Month), 2016 (Year).

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS

BY: _____
President

Financial Highlights

For the Four Month Period Ended July 31, 2016
Compared to the Four Month Period Ended July 31, 2015

	Budget Var.	Jul-16	Jul-15	Inc. (Dec.)
Total Revenue	$ 26,883.19	$ 1,844,621.79	$ 1,800,345.34	$ 44,276.45
■Total Operating Revenue	$ 30,009.55	$ 1,828,929.47	$ 1,773,537.56	$ 55,391.91
❖Total Net Non Operating Revenue	$ (3,126.36)	$ 15,692.32	$ 26,807.78	$ (11,115.46)
❍Total Expenses	$ (35,282.61)	$ 979,100.47	$ 896,187.91	$ 82,912.56
Increase(Dec.) Net Assets for Period		$ 865,521.32	$ 904,157.43	$ (38,636.11)
Total Checking and Savings		$ 1,804,993.07	$ 1,418,049.96	$ 386,943.11
Total Assets		$ 4,305,101.14	$ 4,077,287.81	$ 227,813.33
Full-Time/Part-time Employees		13/1	13/1	0/0

Budget:

■ **Operating revenue was $30,000 over budget. The primarily area of increased revenue was exam fee revenue ($32,000).**

❖ **Non-Operating revenue was $3,000 under budget primarily due to the lower gift card revenue ($2,000).**

❍ **Expenses were $35,000 under budget. Key variances individually were legal costs ($11k), postage costs ($9k), and printing costs ($9k).**

Actual:

■ **Total operating revenue increased from prior year by $55,000. Increase related to higher intake of certificate renewal fees ($30,000) and expected exam fee revenue ($26,000).**

❖ **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.**

❍ **Total expenses increased from prior period by $82,000. Board travel is up $9,000, exam costs are up $28,000, and the investigation and hearing costs has a net change of $52,000 (civil penalty collections).**

NC Board of CPA Examiners

Statement of Net Position

As of July 31, 2016

	Jul 31, 16	Jul 31, 15
ASSETS		
Current Assets		
Checking/Savings		
1077 · Fidelity Bank - MMA	249,024.49	0.00
1076 · Bank of North Carolina - MMA	252,325.78	250,020.54
1075 · Union - Money Market	248,812.66	245,701.77
1074 · First Tennessee Bank - MMA	245,752.05	244,850.83
1023 · BB&T Disciplinary Clearing Acct	1,500.00	16,000.00
1020 · BB&T Checking Acct	97,216.86	351,219.03
1021 · BB&T Savings Account	710,261.23	310,155.49
1030 · BB&T Payroll Acct	100.00	102.30
Total Checking/Savings	1,804,993.07	1,418,049.96
Other Current Assets		
1110 · Accrued CD Interest	5,903.71	6,066.11
1050 · CD Investments - Current	1,000,573.47	1,234,740.68
1165 · Deferred Lease Commissions	4,358.12	0.00
1125 · Accts Rec Civil Penalties	4,000.00	0.00
1120 · Accounts Receivable	-46.40	274.76
Total Other Current Assets	1,014,788.90	1,241,081.55
Total Current Assets	2,819,781.97	2,659,131.51
Fixed Assets		
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	206,881.64
1325 · Data Base Software	180,336.18	180,336.18
1390 · Accumulated Depreciation	-815,010.72	-807,493.22
Total Fixed Assets	989,819.00	925,427.50
Other Assets		
1250 · CD Investments Non-Current	495,500.17	492,728.80
Total Other Assets	495,500.17	492,728.80
TOTAL ASSETS	**4,305,101.14**	**4,077,287.81**
LIABILITIES & NET ASSETS		
Liabilities		
Current Liabilities		
Other Current Liabilities		
2040 · Accounts Payable Civil Penalty	3,600.00	0.00
2005 · Due to Exam Vendors	629,011.31	556,986.61
2011 · Accounts Payable Other	2,500.00	2,500.00
2015 · Accrued Vacation Current	7,332.18	4,571.00
Total Other Current Liabilities	642,443.49	564,057.61
Total Current Liabilities	642,443.49	564,057.61

NC Board of CPA Examiners

Statement of Net Position

As of July 31, 2016

	Jul 31, 16	Jul 31, 15
Long Term Liabilities		
2020 · Accrued Vacation	72,106.36	73,432.34
Total Long Term Liabilities	72,106.36	73,432.34
Total Liabilities	714,549.85	637,489.95
Net Assets		
3010 · Net Assets Invest in Cap Assets	989,819.00	925,427.50
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	460,212.93
Change in Net Assets	865,521.32	904,157.43
Total Net Assets	3,590,551.29	3,439,797.86
TOTAL LIABILITIES & NET ASSETS	**4,305,101.14**	**4,077,287.81**

NC Board of CPA Examiners

08/03/16

Statement of Revenues & Expense - Budget v. Actual

April 2016 through July 2016

	Apr - Jul 16	Budget	$ Over B...
Ordinary Income/Expense			
Income			
Certificate Fees			
4110 · Certificates - Initial	18,300.00	23,333.32	-5,033.32
4120 · Certificates - Reciprocal	9,500.00	10,666.68	-1,166.68
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	1,234,260.00	1,230,000.00	4,260.00
4150 · Certificates - Reinst/Revoked	600.00	0.00	600.00
4151 · Certificates - Reinst/Surr	2,600.00	3,666.68	-1,066.68
4152 · Certificates - Reinst/Retired	0.00	0.00	0.00
4160 · Certificates - Notification	0.00	0.00	0.00
4161 · Certificate - Notification Rnwl	0.00	0.00	0.00
Total Certificate Fees	1,265,260.00	1,267,666.68	-2,406.68
Exam Fee Revenue			
4001 · Initial Adm Fees	84,410.00	80,500.00	3,910.00
4002 · Re-Exam Adm Fees	64,425.00	62,500.00	1,925.00
4004 · Exam Fees Revenue	422,941.59	400,000.00	22,941.59
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	-10,071.75	-13,746.76	3,675.01
Total Exam Fee Revenue	561,704.84	529,253.24	32,451.60
Misc			
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	350.00	0.00	350.00
4980 · Copies	0.00	0.00	0.00
4990 · Miscellaneous	519.63	500.00	19.63
Total Misc	869.63	500.00	369.63
Partnership Fees			
4260 · Partnership Registration Fees	30.00	0.00	30.00
4261 · Partnership Renewal Fees	0.00	0.00	0.00
Total Partnership Fees	30.00	0.00	30.00
Professional Corporation Fees			
4250 · PC Registration Fees	1,150.00	1,500.00	-350.00
4251 · PC Renewal Fees	-110.00	0.00	-110.00
4252 · PC Renewal Fees W/Penalties	25.00	0.00	25.00
Total Professional Corporation Fees	1,065.00	1,500.00	-435.00
Total Income	1,828,929.47	1,798,919.92	30,009.55
Expense			
6900 · Bad Debit Expense	0.00	0.00	0.00
6690 · Over & Short	0.60	0.00	0.60

NC Board of CPA Examiners

Statement of Revenues & Expense - Budget v. Actual

April 2016 through July 2016

	Apr - Jul 16	Budget	$ Over B...
Fringe Benefits			
5031 · Retirement - NCLB Contribution	18,410.73	18,662.68	-251.95
5033 · Retirement - NCLB Administr	801.03	1,500.00	-698.97
5035 · Health Ins. Premiums	34,977.12	49,333.32	-14,356.20
5036 · Medical Reim Plan	6,372.22	13,000.00	-6,627.78
5038 · Unemployment Claims	0.00	0.00	0.00
Total Fringe Benefits	60,561.10	82,496.00	-21,934.90
Board Travel			
5120 · Board Travel - Board Meetings	5,994.54	8,096.00	-2,101.46
5121 · Board Travel - Prof Meetings	14.00	0.00	14.00
5122 · Board Travel - NASBA Annual	0.00	0.00	0.00
5123 · Board Travel - NASBA Regional	11,197.64	9,360.00	1,837.64
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	-535.53	0.00	-535.53
5133 · Board Travel - NASBA CPE	0.00	0.00	0.00
Total Board Travel	19,652.18	20,256.00	-603.82
Building Expenses			
5800 · Building Maintenance	2,632.17	1,400.00	1,232.17
5801 · Electricity	3,752.13	4,000.00	-247.87
5802 · Grounds Maintenance	560.00	1,666.68	-1,106.68
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	1,950.66	2,000.00	-49.34
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	-591.74	333.32	-925.06
5811 · Water & Sewer	280.73	366.68	-85.95
Total Building Expenses	11,637.95	11,466.68	171.27
Continuing Education -Staff			
5050 · Continuing Education - Staff	394.85	1,666.68	-1,271.83
5051 · Continuing Education - RNB	102.60	0.00	102.60
5052 · Continuing Education - Computer	0.00	0.00	0.00
Total Continuing Education -Staff	497.45	1,666.68	-1,169.23
Exam Postage			
5531 · Exam Postage	360.00	600.00	-240.00
Total Exam Postage	360.00	600.00	-240.00
Exam Printing			
5533 · Exam Printing	0.00	0.00	0.00
Total Exam Printing	0.00	0.00	0.00

NC Board of CPA Examiners

Statement of Revenues & Expense - Budget v. Actual

April 2016 through July 2016

	Apr - Jul 16	Budget	$ Over B...
Exam Sitting and Grading			
5538 · Exam Vendor Expense	396,581.58	366,666.68	29,914.90
Total Exam Sitting and Grading	396,581.58	366,666.68	29,914.90
Exam Supplies			
5532 · Exam Supplies	0.00	0.00	0.00
Total Exam Supplies	0.00	0.00	0.00
Exam Temporary Staff			
5530-10 · Temp Employees - May	0.00	0.00	0.00
5530-20 · Temp Employees - Nov	0.00	0.00	0.00
Total Exam Temporary Staff	0.00	0.00	0.00
Investigation & Hearing Costs			
5220 · Investigator Fees	0.00	0.00	0.00
5221 · Staff Investigation Costs	16.50	0.00	16.50
5222 · Investigation Materials	1,934.94	3,833.32	-1,898.38
5230 · Hearing Costs	5,914.39	1,666.68	4,247.71
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	-833.32	-666.68
5260 · Civil Penalties Assessed	-5,200.00	-2,500.00	-2,700.00
5261 · Civil Penalties Remitted	5,278.18	0.00	5,278.18
Total Investigation & Hearing Costs	6,444.01	2,166.68	4,277.33
Legal Expense			
5140 · Legal Counsel - Administrative	9,504.00	12,000.00	-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	1,869.49	10,000.00	-8,130.51
Total Legal Expense	11,373.49	22,000.00	-10,626.51
Misc Personnel			
5034 · Misc. Payroll Deduction	0.00	500.00	-500.00
5037 · HSA Deduction	0.00	0.00	0.00
5090 · Flowers, Gifts, Etc.	302.58	0.00	302.58
5091 · Staff Recruiting	0.00	0.00	0.00
5092 · Misc. Personnel Costs	221.62	1,000.00	-778.38
Total Misc Personnel	524.20	1,500.00	-975.80
Office Expense			
5436 · Contracted Copy Service	1,235.16	0.00	1,235.16
5301 · Equipment Rent	156.00	400.00	-244.00
5310 · Decorations	0.00	0.00	0.00
5320 · Payroll Service	585.76	666.68	-80.92
5360 · Telephone	2,069.07	2,333.32	-264.25
5361 · Internet & Website	2,123.50	1,666.68	456.82
5390 · Clipping Service	928.32	1,333.32	-405.00
5400 · Computer Prog/Assistance	1,635.92	1,666.68	-30.76
5405 · Computer Software Maintenance	17,484.74	18,333.32	-848.58
5410 · Dues	1,130.00	4,100.00	-2,970.00
5420 · Insurance	9,020.00	16,800.00	-7,780.00
5430 · Audit Fees	0.00	8,990.00	-8,990.00

NC Board of CPA Examiners

Statement of Revenues & Expense - Budget v. Actual

April 2016 through July 2016

	Apr - Jul 16	Budget	$ Over B...
5435 · Consulting Services	0.00	333.32	-333.32
5440 · Misc Office Expense	495.00	1,100.00	-605.00
5445 · Banking Fees	2,444.04	1,166.68	1,277.36
5450 · Credit Card Fees	37,383.31	17,333.32	20,049.99
Total Office Expense	76,690.82	76,223.32	467.50
Per Diem - Board			
5110 · Per Diem - Board Meetings	4,550.00	4,800.00	-250.00
5111 · Per Diem - Prof Meetings	250.00	1,333.32	-1,083.32
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
Total Per Diem - Board	7,200.00	10,133.32	-2,933.32
Postage			
5345 · Postage - UPS	2,000.00	4,000.00	-2,000.00
5340 · Postage - Other	1,668.80	6,500.00	-4,831.20
5341 · Postage - Newsletter	21,700.00	23,666.68	-1,966.68
5342 · Postage - Business Reply	450.00	833.32	-383.32
5343 · Postage - Renewal	540.00	666.68	-126.68
5344 · Postage - Rulebook	0.00	0.00	0.00
Total Postage	26,358.80	35,666.68	-9,307.88
Printing			
5330 · Printing - Other	1,247.80	2,333.32	-1,085.52
5331 · Printing - Newsletter	13,592.88	21,666.68	-8,073.80
5332 · Printing - Certificates	0.00	0.00	0.00
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
Total Printing	14,840.68	24,000.00	-9,159.32
Repairs & Maintenance			
5380 · Repairs - Misc.	0.00	0.00	0.00
5381 · Maintenance - Copiers	454.76	833.32	-378.56
5382 · Maintenance - Computer	766.64	500.00	266.64
5383 · Maintenance - Postage	490.00	333.32	156.68
Total Repairs & Maintenance	1,711.40	1,666.64	44.76

NC Board of CPA Examiners

Statement of Revenues & Expense - Budget v. Actual

April 2016 through July 2016

	Apr - Jul 16	Budget	$ Over B...
Salaries & Payroll Taxes			
5040 · State Unemployment Tax	0.00	0.00	0.00
5010 · Staff Salaries	306,849.95	315,856.05	-9,006.10
5020 · Part-Time Staff Salaries	4,131.38	5,499.11	-1,367.73
5021 · Temporary Contractors	0.00	0.00	0.00
5030 · FICA Taxes	23,938.63	24,641.88	-703.25
Total Salaries & Payroll Taxes	334,919.96	345,997.04	-11,077.08
Scholarships			
5535 · Scholarship	0.00	0.00	0.00
Total Scholarships	0.00	0.00	0.00
Staff Travel			
5060 · Staff Travel - Local	217.80	850.00	-632.20
5061 · Staff Travel - Prof Mtgs	2,031.60	1,316.68	714.92
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	666.68	-666.68
5076 · Staff Travel - NCACPA/Board	445.48	500.00	-54.52
5077 · Staff Travel - Clear Conference	0.00	0.00	0.00
5078 · Staff Travel - Vehicle	0.00	0.00	0.00
5080 · Staff Travel - Univ Dialogue	0.00	0.00	0.00
Total Staff Travel	5,442.56	6,877.36	-1,434.80
Subscriptions/References			
5370 · Subscriptions/References	345.07	1,000.00	-654.93
Total Subscriptions/References	345.07	1,000.00	-654.93
Supplies			
5350 · Supplies - Office	1,690.48	1,500.00	190.48
5351 · Supplies - Copier	1,902.20	1,416.68	485.52
5352 · Supplies - Computer	365.94	1,083.32	-717.38
5353 · Supplies - Special Projects	0.00	0.00	0.00
Total Supplies	3,958.62	4,000.00	-41.38
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
Total Expense	979,100.47	1,014,383.08	-35,282.61
Net Ordinary Income	849,829.00	784,536.84	65,292.16
Other Income/Expense			
Other Income			
8250 · Gift Card Revenue	0.00	2,000.00	-2,000.00

NC Board of CPA Examiners

Statement of Revenues & Expense - Budget v. Actual

April 2016 through July 2016

	Apr - Jul 16	Budget	$ Over B...
Interest Income			
8500 · Interest Income - MMAs	1,188.61	0.00	1,188.61
8505 · Interest Income - BB&T BUS IDA	0.00	0.00	0.00
8510 · Interest Income - CDs	5,729.76	6,666.68	-936.92
8520 · Interest Income - Prudential TB	0.00	0.00	0.00
8530 · Interest Income - Wachovia MM	0.00	0.00	0.00
Total Interest Income	6,918.37	6,666.68	251.69
8200 · Rental Income	10,151.88	10,152.00	-0.12
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
Total Other Income	17,584.80	18,818.68	-1,233.88
Other Expense			
7000 · Leasing Commission	1,892.48	0.00	1,892.48
Total Other Expense	1,892.48	0.00	1,892.48
Net Other Income	15,692.32	18,818.68	-3,126.36
Change in Net Assets	**865,521.32**	**803,355.52**	**62,165.80**

08/03/16

NC Board of CPA Examiners

Statement of Revenues & Expenses

Year-to-Date Comparison

	Apr - Jul 16	Apr - Jul 15
Ordinary Income/Expense		
Income		
Certificate Fees		
4110 · Certificates - Initial	18,300.00	18,900.00
4120 · Certificates - Reciprocal	9,500.00	10,800.00
4140 · Certificates - Renewal Fees	1,234,260.00	1,203,000.00
4150 · Certificates - Reinst/Revoked	600.00	1,000.00
4151 · Certificates - Reinst/Surr	2,600.00	2,200.00
Total Certificate Fees	1,265,260.00	1,235,900.00
Exam Fee Revenue		
4001 · Initial Adm Fees	84,410.00	73,370.00
4002 · Re-Exam Adm Fees	64,425.00	61,575.00
4004 · Exam Fees Revenue	422,941.59	403,736.30
4070 · Transfer Exam Grade Credit	0.00	75.00
4071 · Exam Review Fees	0.00	0.00
4072 · Exam Scholarship Coupon	-10,071.75	-2,877.24
Total Exam Fee Revenue	561,704.84	535,879.06
Misc		
4999 · Board Training	0.00	0.00
4970 · Duplicate Certificates	350.00	300.00
4990 · Miscellaneous	519.63	208.50
Total Misc	869.63	508.50
Partnership Fees		
4260 · Partnership Registration Fees	30.00	0.00
Total Partnership Fees	30.00	0.00
Professional Corporation Fees		
4250 · PC Registration Fees	1,150.00	1,250.00
4251 · PC Renewal Fees	-110.00	0.00
4252 · PC Renewal Fees W/Penalties	25.00	0.00
Total Professional Corporation Fees	1,065.00	1,250.00
Total Income	1,828,929.47	1,773,537.56
Expense		
6690 · Over & Short	0.60	-180.00
Fringe Benefits		
5031 · Retirement - NCLB Contribution	18,410.73	17,822.85
5033 · Retirement - NCLB Administr	801.03	60.65
5035 · Health Ins. Premiums	34,977.12	39,025.63
5036 · Medical Reim Plan	6,372.22	9,250.01
Total Fringe Benefits	60,561.10	66,159.14

NC Board of CPA Examiners

Statement of Revenues & Expenses

Year-to-Date Comparison

	Apr - Jul 16	Apr - Jul 15
Board Travel		
5120 · Board Travel - Board Meetings	5,994.54	5,997.52
5121 · Board Travel - Prof Meetings	14.00	0.00
5123 · Board Travel - NASBA Regional	11,197.64	4,084.04
5127 · Board Travel - NCACPA/Board	2,981.53	674.75
5129 · Miscellaneous Board Costs	-535.53	0.00
Total Board Travel	19,652.18	10,756.31
Building Expenses		
5800 · Building Maintenance	2,632.17	212.32
5801 · Electricity	3,752.13	3,644.66
5802 · Grounds Maintenance	560.00	1,660.00
5803 · Heat & Air Maintenance	606.00	2,754.93
5807 · Janitorial Maintenance	1,950.66	1,900.00
5809 · Security & Fire Alarm	2,448.00	2,320.38
5810 · Trash Collection	-591.74	197.32
5811 · Water & Sewer	280.73	256.54
Total Building Expenses	11,637.95	12,946.15
Continuing Education -Staff		
5050 · Continuing Education - Staff	394.85	1,361.50
5051 · Continuing Education - RNB	102.60	0.00
Total Continuing Education -Staff	497.45	1,361.50
Exam Postage		
5531 · Exam Postage	360.00	240.00
Total Exam Postage	360.00	240.00
Exam Sitting and Grading		
5538 · Exam Vendor Expense	396,581.58	368,136.36
Total Exam Sitting and Grading	396,581.58	368,136.36
Investigation & Hearing Costs		
5221 · Staff Investigation Costs	16.50	100.00
5222 · Investigation Materials	1,934.94	3,989.02
5230 · Hearing Costs	5,914.39	445.88
5231 · Rule-Making Hearing Costs	0.00	398.80
5250 · Administrative Cost Assessed	-1,500.00	-15,600.00
5260 · Civil Penalties Assessed	-5,200.00	-46,500.00
5261 · Civil Penalties Remitted	5,278.18	11,034.60
Total Investigation & Hearing Costs	6,444.01	-46,131.70
Legal Expense		
5140 · Legal Counsel - Administrative	9,504.00	10,500.00
5211 · Legal Counsel - Litigation	1,869.49	13,371.15
Total Legal Expense	11,373.49	23,871.15

NC Board of CPA Examiners

Statement of Revenues & Expenses

Year-to-Date Comparison

	Apr - Jul 16	Apr - Jul 15
Misc Personnel		
5034 · Misc. Payroll Deduction	0.00	0.00
5037 · HSA Deduction	0.00	0.00
5090 · Flowers, Gifts, Etc.	302.58	0.00
5092 · Misc. Personnel Costs	221.62	246.73
Total Misc Personnel	524.20	246.73
Office Expense		
5436 · Contracted Copy Service	1,235.16	0.00
5301 · Equipment Rent	156.00	312.00
5320 · Payroll Service	585.76	560.70
5360 · Telephone	2,069.07	1,550.10
5361 · Internet & Website	2,123.50	1,451.56
5390 · Clipping Service	928.32	828.41
5400 · Computer Prog/Assistance	1,635.92	870.00
5405 · Computer Software Maintenance	17,484.74	10,366.41
5410 · Dues	1,130.00	1,065.00
5420 · Insurance	9,020.00	9,020.00
5440 · Misc Office Expense	495.00	420.00
5445 · Banking Fees	2,444.04	738.06
5450 · Credit Card Fees	37,383.31	33,318.23
Total Office Expense	76,690.82	60,500.47
Per Diem - Board		
5110 · Per Diem - Board Meetings	4,550.00	3,500.00
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	350.00
5117 · Per Diem - NCACPA/Board	100.00	500.00
Total Per Diem - Board	7,200.00	4,750.00
Postage		
5345 · Postage - UPS	2,000.00	8,900.00
5340 · Postage - Other	1,668.80	1,070.09
5341 · Postage - Newsletter	21,700.00	22,650.00
5342 · Postage - Business Reply	450.00	300.00
5343 · Postage - Renewal	540.00	360.00
Total Postage	26,358.80	33,280.09
Printing		
5330 · Printing - Other	1,247.80	1,333.68
5331 · Printing - Newsletter	13,592.88	14,564.96
Total Printing	14,840.68	15,898.64
Repairs & Maintenance		
5381 · Maintenance - Copiers	454.76	416.21
5382 · Maintenance - Computer	766.64	0.00
5383 · Maintenance - Postage	490.00	0.00
Total Repairs & Maintenance	1,711.40	416.21

NC Board of CPA Examiners

Statement of Revenues & Expenses

Year-to-Date Comparison

	Apr - Jul 16	Apr - Jul 15
Salaries & Payroll Taxes		
5040 · State Unemployment Tax	0.00	999.39
5010 · Staff Salaries	306,849.95	297,299.65
5020 · Part-Time Staff Salaries	4,131.38	4,664.00
5030 · FICA Taxes	23,938.63	23,410.98
Total Salaries & Payroll Taxes	334,919.96	326,374.02
Scholarships		
5535 · Scholarship	0.00	6,000.00
Total Scholarships	0.00	6,000.00
Staff Travel		
5060 · Staff Travel - Local	217.80	248.76
5061 · Staff Travel - Prof Mtgs	2,031.60	1,049.00
5071 · Staff Travel - NASBA Regional	3,383.64	5,619.45
5072 · Staff Travel - NASBA ED/Legal	-635.96	-239.20
5075 · Staff Travel - NCACPA Meetings	0.00	93.70
5076 · Staff Travel - NCACPA/Board	445.48	0.00
Total Staff Travel	5,442.56	6,771.71
Subscriptions/References		
5370 · Subscriptions/References	345.07	593.50
Total Subscriptions/References	345.07	593.50
Supplies		
5350 · Supplies - Office	1,690.48	2,099.96
5351 · Supplies - Copier	1,902.20	597.60
5352 · Supplies - Computer	365.94	1,500.07
Total Supplies	3,958.62	4,197.63
9999 · Suspense	0.00	0.00
Total Expense	979,100.47	896,187.91
Net Ordinary Income	849,829.00	877,349.65
Other Income/Expense		
Other Income		
8250 · Gift Card Revenue	0.00	10,300.00
Interest Income		
8500 · Interest Income - MMAs	1,188.61	646.93
8510 · Interest Income - CDs	5,729.76	4,933.05
Total Interest Income	6,918.37	5,579.98
8200 · Rental Income	10,151.88	10,927.80
8920 · Gain on Sale of Fixed Assets	514.55	0.00
Total Other Income	17,584.80	26,807.78

NC Board of CPA Examiners

Statement of Revenues & Expenses

Year-to-Date Comparison

	Apr - Jul 16	Apr - Jul 15
Other Expense		
7000 · Leasing Commission	1,892.48	0.00
Total Other Expense	1,892.48	0.00
Net Other Income	15,692.32	26,807.78
Change in Net Assets	**865,521.32**	**904,157.43**

Draft Rule-Making Schedule for 2016 as Recommended by Staff

ITEM - II - A

- January 25, 2016 – discussion of rules and draft rule-making schedule
- February 22, 2016 – continued discussion of rules
- March 23, 2016 – continued discussion of rules
- April 25, 2016 – draft rules presented and discussed
- May 19, 2016 - continued discussion of draft rules
- June 23, 2016 –continued discussion of draft rules
- July 22, 2016 - continued discussion of draft rules
- August 22, 2016 - proposed rules presented and voted on to send to the Rules Review Commission (RRC) for publication in the NC Register
- September 12, 2016 – filing deadline for publication in the NC Register
- October 3, 2016 – published in the NC Register
- October 27, 2016 – public rule-making hearing
- December 2, 2016 – public comment period ends
- December 19, 2016 – final action by the Board on the proposed rules
- December 20, 2016 – file rules with the RRC
- January 2017 – review by the RRC at its meeting
- February 1, 2017 – effective date of rules

21 NCAC 08A .0301 DEFINITIONS

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

(1) "Active," when used to refer to the status of a person, describes a person who possesses a North Carolina certificate of qualification and who has not otherwise been granted ~~"Inactive"~~ inactive status;

(2) "Agreed-upon procedures" means a professional service whereby a CPA is engaged to issue a report of findings based on specific procedures performed on identified subject matter;

(3) "AICPA" means the American Institute of Certified Public Accountants;

(4) "Applicant" means a person who has applied to take the CPA examination or applied for a certificate of qualification;

(5) "Attest service" means a professional service whereby a CPA in the practice of public accounting is engaged to issue or does issue:

(A) any audit or engagement to be performed in accordance with the Statements on Auditing Standards, Statements on Generally Accepted Governmental Auditing Standards, Public Company Accounting Oversight Board Auditing Standards, and International Standards on Auditing;

(B) any review ~~or~~ engagement to be performed in accordance with the Statements on Standards for Accounting and Review Services;

(C) any compilation ~~or~~ engagement to be performed in accordance with the Statements on Standards for Accounting and Review Services; or

(D) any engagement to be performed in accordance with the Statements on Standards for Attestation Engagements;

(6) "Audit" means a professional service whereby a CPA is engaged to examine financial statements, items, accounts, or elements of a financial statement prepared by management~~,~~ in order to express an opinion on whether the financial statements, items, accounts, or elements of a financial statement are presented in conformity with an applicable reporting framework~~,~~ that enhances the degree of confidence that intended users can place on the financial statements, items, accounts, or elements of a financial statement;

(7) "Calendar year" means the 12 months beginning January 1 and ending December 31;

(8) "Candidate" means a person whose application to take the CPA examination has been accepted by the Board and who may sit for the CPA examination;

(9) "Client" means a person or an entity who orally or in writing agrees with a licensee to receive any professional services performed or delivered;

(10) "Commission" means compensation, except a referral fee, for recommending or referring any product or service to be supplied by another person;

(11) "Compilation" means a professional service whereby a CPA is engaged to present, in the form of financial statements, information that is the representation of management without undertaking to express any assurance on the statements;

(12) "Contingent fee" means a fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service;

(13) "CPA" means certified public accountant;

(14) "CPA firm" means a sole proprietorship, a partnership, a professional corporation, a professional limited liability company, or a registered limited liability partnership that uses ~~"certified public accountant(s)"~~ certified public accountant(s) or ~~"CPA(s)"~~ CPA(s) in or with its name or offers to or renders any attest services in the public practice of accountancy;

(15) "CPE" means continuing professional education;

(16) "Disciplinary action" means revocation, ~~or~~ suspension of, or refusal to grant a certificate, or the imposition of a reprimand, probation, constructive comment, or any other penalty or condition;

(17) "FASB" means the Financial Accounting Standards Board;

(18) "Firm network" means an association of entities that includes one or more firms that cooperate for the purpose of enhancing the firms' capabilities to provide professional services and share one or more of the following characteristics:

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(A) the use of a common brand name, including initials, as part of the firm name;
(B) common control among the firms through ownership, management, or other means;
(C) profits or costs, excluding costs of operating the association; costs of developing audit methodologies, manuals, and training courses; and other costs that are immaterial to the firm;
(D) common business strategy that involves ongoing collaboration amongst the firms whereby the firms are responsible for implementing the association's strategy and are accountable for performance pursuant to that strategy;
(E) significant part of professional resources; or
(F) common quality control policies and procedures that firms are required to implement and that are monitored by the association;

(19) "GASB" means the Governmental Accounting Standards Board;

(20) "Inactive," when used to refer to the status of a person, describes a person who has requested inactive status and has been approved by the Board and who does not use the title ~~"certified public accountant,"~~ certified public accountant, nor does he or she allow anyone to refer to him or her as a ~~"certified public accountant,"~~ certified public accountant, and neither he nor she nor anyone else refers to him or her in any representation as described in Rule .0308(b) of this Section;

(21) "IRS" means the Internal Revenue Service;

(22) "Jurisdiction" means any state or territory of the United States or the District of Columbia;

(23) "License year" means the 12 months beginning July 1 and ending June 30;

(24) "Member of a CPA firm" means any CPA who has an equity ownership interest in a CPA firm;

(25) "NASBA" means the National Association of State Boards of Accountancy;

(26) "NCACPA" means the North Carolina Association of Certified Public Accountants;

(27) "North Carolina office" means any office physically located in North Carolina;

(28) "Person" means any natural person, corporation, partnership, professional limited liability company, registered limited liability partnership, unincorporated association, or other entity;

(29) "Professional" means arising out of or related to the particular knowledge or skills associated with CPAs;

(30) "Referral fee" means compensation for recommending or referring any service of a CPA to any person;

(31) "Revenue Department" means the North Carolina Department of Revenue;

(32) "Review" means a professional service whereby a CPA is engaged to perform procedures, limited to analytical procedures and inquiries, to obtain a reasonable basis for expressing limited assurance on whether any material modifications should be made to the financial statements for them to be in conformity with generally accepted accounting principles or other comprehensive basis of accounting;

(33) "Reviewer" means a member of a review team including the review team captain;

(34) "Suspension" means a revocation of a certificate for a specified period of time. A CPA may be reinstated after a specific period of time if the CPA has met all conditions imposed by the Board at the time of suspension;

(35) "Trade name" means a name used to designate a business enterprise;

(36) "Work papers" mean the CPA's records of the procedures applied, the tests performed, the information obtained, and the conclusions reached in attest services, tax services, consulting services, special report services, or other engagements. Work papers include programs used to perform professional services, analyses, memoranda, letters of confirmation and representation, checklists, copies or abstracts of company documents, and schedules of commentaries prepared or obtained by the CPA. The forms include handwritten, typed, printed, word processed, photocopied, photographed, and computerized data, or in any other form of letters, words, pictures, sounds, or symbols; and

(37) "Work product" means the end result of the engagement for the client that may include a tax return, attest or assurance report, consulting report, ~~and~~ or financial plan. The forms include handwritten, typed, printed, word processed, photocopied, photographed, and computerized data, or in any other form of letters, words, pictures, sounds, or symbols.

(c) Any requirement to comply by a specific date to the Board that falls on a weekend or federal holiday shall be received as in compliance if postmarked by U.S. Postal Service cancellation by that date, if received by a private 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;
Readoped Eff. February 1, 2016.
Amended Eff. February, 1, 2017.

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21 NCAC 08I .0101 COMPLAINTS

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

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

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

(1) close the case without prejudice;

(2) close the case with prejudice;

(3) prepare a Consent Order;

(4) apply to the courts for injunctive relief; or

(5) ~~may~~ prepare a proposed Hearing Notice.

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

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

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

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21 NCAC 08N .0203 DISCREDITABLE CONDUCT PROHIBITED

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

(b) Prohibited discreditable conduct includes:

(1) acts that reflect adversely on the CPA's honesty, integrity, trustworthiness, good moral character, or fitness as a CPA;

(2) stating or implying an ability to improperly influence a governmental agency or official;

(3) failing to comply with any order issued by the Board;

(4) failing to fulfill the terms of a peer review engagement contract;

(5) misrepresentation in reporting CPE credits; ~~or~~

(6) entering into any settlement or other resolution of a dispute that purports to keep its contents confidential from the Board~~.~~ ; or

(7) failing to participate in a peer review program pursuant to 08M .0105 of this Chapter.

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

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

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

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

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

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

(c) Settlements. A CPA shall notify the Board within 30 days of any settlement in lieu of a civil suit or criminal charge that is grounded upon an allegation of professional negligence; gross negligence; dishonesty; fraud; misrepresentation; incompetence; or violation of any federal, state, or local law. Notification shall be required regardless of any confidentiality clause in the settlement.

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

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

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

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21 NCAC 08N .0305 RETENTION OF CLIENT RECORDS

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

(b) ~~Who May Demand Client Records~~. The records shall be returned to the clients as follow:

(1) If the client is a partnership, records shall be returned upon request to any of its general partners.

(2) If the client is a limited partnership or a registered limited liability partnership, records shall be returned upon request to its general partner(s) and the managing partner, or his or her designated individual respectively.

(3) If the client is a corporation, records shall be returned upon request to its president.

(4) If the client is a limited liability company, records shall be returned upon request to the manager.

(5) Joint records shall be returned upon request to any party to the record.

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

(d) Retention of Work Product and Working Papers.~~to Force Payment.~~ A CPA shall provide completed work product and work papers included in client records if all fees for that engagement have been paid. A CPA is not required to provide work product and work papers included in client records if fees are due for that engagement, the work product is incomplete, there are professional issues, or if there is threatened or outstanding litigation concerning the engagement or the CPAs work product. ~~not retain a client's records in order to force payment of any kind.~~

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

(1) worksheets in lieu of original entry (such as listings and distributions of cash receipts or cash disbursements on columnar work paper);

(2) worksheets in lieu of general ledger or subsidiary ledgers, such as accounts receivable, job cost and equipment ledgers, or similar types of depreciation records;

(3) all adjusting and closing journal entries and supporting details not fully set forth in the journal entry; and

(4) consolidating or combining journal entries and worksheets and supporting detail used in arriving at final figures incorporated in an end product such as financial statements or tax returns.

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

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

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

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(i) The CPA shall return the client records in any format usable by the client. The CPA shall not be required to convert records that are not in electronic format to electronic format. If the client request records in a specific format and the records are available in such format within the CPA's custody and control, the client's request shall be honored. The CPA is not required to provide the client with formulas, 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.

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

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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).

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

Beth Carpenter
SEI Unit

cc: Mr. Lee Samuel Williams, Jr.

Attachment: Ethics Education Flyer

North Carolina State Board of CPA Examiners
Working Strategic Plan

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.

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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

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.

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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.

- 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) *Ensuing 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*

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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

- 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:

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- 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*

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

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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

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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 1st.

- 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 1st 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 1st 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 1st 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 1st of each year.

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❖ 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

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 expect 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.

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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

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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<u>Improved Visibility of the Board:</u>

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.

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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.**

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- 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.

- 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.

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- 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.

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 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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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.

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- 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.

- 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

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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:

- 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)

Licensees by License Type:		**Licensees by Occupation:**	
Original	15,741	Industry:	
Reciprocal	4,370	Accounting	7,970
Total	20,111	Non-Accounting	1,425
			9,395
Licensees by Residency:		Public Practice:	
North Carolina	16,532	CPA Firm Staff	3,801
Out-of-State	3,579	CPA Firm Partner	1,301
Total	20,111	CPA Firm PC Shareholder	877
		CPA Firm PLLC Member	398
Licensees by Gender:	10,822	Individual Practitioner	1,503
Male	9,289		7,880
Female	20,111	Government:	
Total		Accounting	1,078
		Non-Accounting	94
Licensees by Concentration:			1,172
Auditing	2,864		
Administration	830	Other	684
Advisory Services	669	Educator	293
Financial Planning	501	Unemployed	285
General Accountancy	9,175	Legal	193
Law	151	Retired	174
Non-Accounting	598	Student	35
Other	740		
Taxation	4,529	Total	20,111
No Designation	54		
Total	20,111		

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Board Cases for 2015:		
Open		
Closed		
Total		0
Board Cases by Type:		
Type		
Type		
Type		
Type		
Type		
Type		
Total		0

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Exam Applicants:		
Initial		
Re-Exam		
Total		0
License Applicants:		
Original		
Reciprocal		
Total		0

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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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.

Operating Budget		*Approved Budget* 2015-2016
OPERATING REVENUES		
Examination Fees	$	1,390,510
Licensing Fees		1,359,500
Miscellaneous		9,500
Total Operating Revenues		2,759,510
OPERATING EXPENSES		
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
Total Operating Expenses		2,817,298
Operating Income (Loss)		(57,788)
NON-OPERATING REVENUES (EXPENSES)		
Rental Income		21,854
Interest Income		16,000
Gain on Sale of Assets		0
Leasing Commission		0
Miscellaneous		(35,000)
Total Non-Operating Revenues		2,854
Estimated Change in Net Assets	$	(54,934)

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

Program Services:		**Staff FTE**
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
		13.00

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