



Virginia
Regulatory
Town Hall

Final Regulation Agency Background Document

Agency Name:	5
VAC Chapter Number:	21
Regulation Title:	Virginia Board of Accountancy Regulations
Action Title:	Final
Date:	Enter Date

Please refer to the Administrative Process Act (§ 9-6.14:9.1 *et seq.* of the *Code of Virginia*), Executive Order Twenty-Five (98), Executive Order Fifty-Eight (99) , and the *Virginia Register Form, Style and Procedure Manual* for more information and other materials required to be submitted in the final regulatory action package.

Summary

Please provide a brief summary of the new regulation, amendments to an existing regulation, or the regulation being repealed. There is no need to state each provision or amendment; instead give a summary of the regulatory action. If applicable, generally describe the existing regulation. Do not restate the regulation or the purpose and intent of the regulation in the summary. Rather, alert the reader to all substantive matters or changes contained in the proposed new regulation, amendments to an existing regulation, or the regulation being repealed. Please briefly and generally summarize any substantive changes made since the proposed action was published.

The Board is currently operating under emergency regulations that implement the provisions of Senate Bill 926 (SB 926) passed by the 1999 Session of the Virginia General Assembly. The proposed regulations are necessary to replace the emergency regulations and to continue to implement the provisions of SB 926 (1999).

SB 926 (1999) established new requirements for education, examination and eligibility to receive a CPA certificate for candidates who will apply for an initial CPA certificate after July 1, 2006; replaced the two-tier regulation program (certificate of maintenance and license) with a single-tier program (CPA certificate); established new requirements for registration of CPA firms; established a peer review requirement for all firms practicing public accounting; amended the requirements for renewal and reinstatement of CPA certificates; established new standards of

practice and conduct for all regulants; and modified the continuing professional education (CPE) requirements.

Statement of Final Agency Action

Please provide a statement of the final action taken by the agency: including the date the action was taken, the name of the agency taking the action, and the title of the regulation.

On February 1, 2001, the Virginia Board of Accountancy adopted the proposed Virginia Board of Accountancy regulation as a final regulation.

Basis

Please identify the state and/or federal source of legal authority to promulgate the regulation. The discussion of this statutory authority should: 1) describe its scope and the extent to which it is mandatory or discretionary; and 2) include a brief statement relating the content of the statutory authority to the specific regulation. In addition, where applicable, please describe the extent to which proposed changes exceed federal minimum requirements. Full citations of legal authority and, if available, web site addresses for locating the text of the cited authority, shall be provided. If the final text differs from that of the proposed, please state that the Office of the Attorney General has certified that the agency has the statutory authority to promulgate the final regulation and that it comports with applicable state and/or federal law.

The Board's authority to promulgate the proposed regulations is contained in §54.1-2002 of the Code of Virginia. The imperative form of the verb "shall" is used in the statute making the rulemaking provisions mandatory rather than discretionary.

Subsection B of §54.1-2002 of the Code of Virginia specifically mandates that the Board certify and issue CPA certificates to individuals to practice public accounting and to restrict the practice of public accounting to those individuals who are so certified. The Board is further mandated to ensure the continued competence of those possessing CPA certificates.

Subsection B of §54.1-2002 of the Code of Virginia also mandates that the Board issue registration certificates to firms that engage in the practice of public accounting and to take the necessary actions to ensure that registered firms and the CPA certificate holders they employ adhere to the standards of conduct and practice established by regulation.

Subsection C of §54.1-2002 of the Code of Virginia grants the Board the authority to establish, by regulations, the rules and procedures for implementation of the provisions of Chapter 20 of Title 54.1 of the Code of Virginia. Section 54.1-2002 of the Code is found at <http://www.state.va.us/dpor/CodeofVirginiaTitle54.pdf>.

In addition, SB 926 (1999) (Acts 1999,c.950, cl. 2), provides: "That the Board of Accountancy shall promulgate regulations to implement the provisions of [the] act by October 1,1999." SB 926 (1999) is found at <http://leg1.state.va.us/cgi-bin/legp504.exe?991+ful+CHPP0950>. By

statute, emergency regulations may be in effect for only one year. Therefore, the proposed regulations must be in effect by October 3, 2000, which is the expiration date of the existing emergency regulations.

By memorandum dated February 23, 2001, the Office of the Attorney General stated that the agency has the authority to promulgate the final regulation under the authority granted the Board under §54.1-2002 of the Code of Virginia and that it comports with applicable state law.

Purpose

Please provide a statement explaining the need for the new or amended regulation. This statement must include the rationale or justification of the final regulatory action and detail the specific reasons it is essential to protect the health, safety or welfare of citizens. A statement of a general nature is not acceptable, particular rationales must be explicitly discussed. Please include a discussion of the goals of the proposal and the problems the proposal is intended to solve.

The Board's new regulations are necessary to implement the requirements of SB 926 passed by the 1999 Session of the General Assembly. SB 926 mandated the Board to implement its provisions by emergency regulations no later than October 1, 1999. Emergency regulations may, by statute, be effective for no more than one year. For this reason, the Board promulgated the regulations in order to replace the emergency regulations that expire October 3, 2000. Failure to promulgate new regulations and have them in effect by October 3, 2000 will result in the Board's former regulations (effective April 1, 1997) coming back into effect. The former regulations do not contain the provisions necessary to implement SB 926 (1999) and would not provide the level of protection for the public health, safety or welfare afforded under the new regulations.

Substance

Please identify and explain the new substantive provisions, the substantive changes to existing sections, or both where appropriate. Please note that a more detailed discussion is required under the statement of the regulatory action's detail.

The following is a summary of the revisions to the Board's April 1, 1997 regulations that are being proposed to implement SB 926 (1999). A number of these proposed revisions are already in effect under the emergency regulations that took effect on October 4, 1999.

Under section 18 VAC 5-21-10 of the proposed regulations, certain definitions have been added, modified or deleted to comply with the mandates established in SB 926 (1999). The definitions have been amended in accordance with the new requirements of Chapter 20 of Title 54.1 of the Code of Virginia.

Under section 18 VAC 5-21-20 of the proposed regulations, the fee schedule governing application fees, examination fees, renewal fees and reinstatement fees has been established in compliance with § 54.1-113 of the Code of Virginia. In addition, a prorated fee

schedule has been established to accommodate the implementation of a staggered renewal system for all board regulants. This staggered renewal system replaces the current system in which every license issued by the board expires on September 30th of each year. The renewal fees are mandated in § 54.1-2004 of the Code of Virginia.

Under section 18 VAC 5-21-30 of the proposed regulations, new qualifications for education, examination and eligibility to receive a CPA certificate have been established for candidates who will be applying for an initial CPA certificate after July 1, 2006. SB 926 (1999) has amended § 54.1-2003 to establish more stringent standards for applicants who apply on July 1, 2006 and thereafter.

Sections 18 VAC 5-20-30 and 18 VAC 5-20-40 have been deleted in their entirety due to new provisions mandated by SB 926 (1999).

Section 18 VAC 5-21-40 of the proposed regulations is a new section that governs the issuance of original CPA certificates, certificates by endorsement and substantial equivalency qualifications; and supervising CPA qualifications. Specifically, SB 926 (1999) mandates that "certificate holders" and "licensees" will both become holders of CPA certificates – ending the current two-tier system. In order to obtain a CPA certificate, the applicant must complete the education, examination and experience requirements. Once all requirements are met, the individual may obtain a CPA certificate, which will act as a license. The certificate authorizes the individual to practice public accountancy.

SB 926 (1999) also mandates that each applicant for a certificate by endorsement submit an application documenting that the applicant holds a corresponding certificate as a certified public accountant issued after meeting examination and other requirements under laws of the state(s) from which the applicant is seeking endorsement.

CPA certificate holders will be required to meet additional experience requirements before supervising services involving the practice of public accounting, or before signing or authorizing another person to sign the accountant's report on the financial statements on behalf of the firm.

Sections 18 VAC 5-20-50 through 18 VAC 5-20-80 have been deleted in their entirety due to new provisions mandated by SB 926 (1999).

Section 18 VAC 5-21-50 of the proposed regulation is a new section that establishes additional requirements for Supervising CPAs. In addition to the one year of experience required to receive a CPA certificate, CPAs desiring to supervise shall have one additional year of experience in the practice of public accounting, as defined in section 18 VAC 5-21-10, beyond that required for the initial CPA certificate.

Section 18 VAC 5-20-90 has been deleted in its entirety due to new provisions mandated by SB 926 (1999).

Section 18 VAC 5-21-60 of the proposed regulations is a new section that establishes new requirements for the registration of CPA firms. To implement the amended provisions of § 54.1-2005 B of the Code of Virginia, any firm with one or more offices in the Commonwealth

which practices, directly or indirectly, public accounting or which uses the term “Certified Public Accountant(s)” or the designation “CPA” in the name of the firm, shall register with the Board to obtain a registration certificate.

Section 18 VAC 5-21-70 is a new section that provides specific guidelines and requirements to implement the amended provisions of § 54.1-2005 C 5 and § 54.1-2005 D 2 of the Code of Virginia which now require public accounting firms with one or more offices in the Commonwealth engaged in public accounting or using the term “Certified Public Accountant(s)” or the designation “CPA” in the name of the firm to undergo a peer review at least once every three years after becoming registered.

Under sections 18 VAC 5-21-80 and 18 VAC 5-21-90 of the proposed regulations, the requirements for renewal and reinstatement of CPA certificates have been amended to implement a staggered renewal system so as to result in an approximately equal number of certificates expiring each month.

Section VAC 5-21-110 has been added to replace sections 18 VAC 5-20-140 and 18 VAC 5-20-380 which have been deleted in their entirety.

Sections 18 VAC 5-20-120 through 18 VAC 5-20-440 have been deleted in their entirety due to new provisions mandated by SB 926 (1999).

Section 18 VAC 5-21-120 of the proposed regulations has been added to establish new standards of practice and conduct for all regulants in compliance with the new provisions of SB 926 (1999).

Sections 18 VAC 5-21-130 through 18 VAC 5-21-150 of the proposed regulations have been added to establish specific Standards of Practice for CPA certificate holders involved in various aspects of the practice of public accounting as identified by SB 926 (1999).

Section 18 VAC 5-21-160 of the proposed regulations has been added to establish new standards of practice for new firm regulants as established by SB 926 (1999).

Section 18 VAC 5-20-450 has been deleted in its entirety due to new provisions mandated by SB 926 (1999).

Section 18 VAC 5-21-170 has been added to clarify new CPE requirements as provided in § 54.1-2004 B and § 54.1-2004 C of the Code of Virginia.

Sections 18 VAC 5-20-460 through 18 VAC 5-20-500 have been deleted in their entirety due to new provisions mandated by SB 926 (1999).

Please provide a statement identifying the issues associated with the final regulatory action. The term "issues" means: 1) the advantages and disadvantages to the public of implementing the new provisions; 2) the advantages and disadvantages to the agency or the Commonwealth; and 3) other pertinent matters of interest to the regulated community, government officials, and the public. If there are no disadvantages to the public or the Commonwealth, please include a sentence to that effect.

The primary advantage to the public of implementing the new regulatory provisions is the enhanced protection to the public resulting from the additional oversight of a profession that has inherent qualities distinguishing it from ordinary work and that requires specialized skill and training. The primary advantage to the Board and to the Commonwealth is the reasonable implementation of an Act of the General Assembly. No disadvantages to the public, the agency or the Commonwealth have been identified.

Statement of Changes Made Since the Proposed Stage

Please highlight any changes, other than strictly editorial changes, made to the text of the proposed regulation since its publication.

18 VAC 5-21-10. Definitions.

“Contingent fee,” has been amended to correct a typographical error.

“CPA certificate” was moved to place it in alphabetical order. No change in phrasing was made.

“CPA wall certificate” appears as a new definition and is identical in definition to the definition of “wall certificate” struck through on a subsequent page.

“CPE reporting year” has been amended to change from a fiscal year beginning on July 1 and ending on June 30 of each year to a calendar year.

“CPE reporting cycle” has been amended to show the correct citation.

“Interactive self-study program,” has been amended to clarify the necessary feedback elements of a self-study program.

18 VAC 5-21-20. Fees.

Subsection B, has been amended to remove obsolete language concerning the effective date of the fees and deleting a fee for “late application.”

Subsection C, has been repealed in its entirety as the staggering of expiration dates of CPA certificates has been completed and the language is obsolete.

The succeeding subsections have been renumbered.

Renumbered subsection F has a phrasing change.

18 VAC 5-21-30. Qualifications for CPA certificate.

Subsection B, has been amended to make clear that the event deciding whether an applicant must meet the 120-hour or the 150-hour education requirement is the date of the examination for which he applied to sit rather than the date the application to sit for the examination is received by the Board's staff.

In addition, a citation to subdivision C 2 has been amended to cite all of subsection C. All of the standards in subsection C are pertinent, not just those in subdivision C 2.

18 VAC 5-21-40. Issuance of original CPA certificate; CPA certificate by endorsement; and substantial equivalency.

Subdivision B 2, has been amended to make clear that an individual applying for a CPA certificate more than three years after he passed the examination must provide evidence of having met, during the preceding three years, the CPE pertinent to his intended practice and refers the individual to the pertinent section of the regulations dealing with CPE.

Subdivision C 2 a was amended to add the words "national uniform" in front of "examination" to add clarity.

Subsection E was amended to make clear that the experience requirements cited are mandatory for CPA certificate holders who both supervise public accountancy services and sign or authorize others to sign reports. The proposed language used the conjunction "or," thus making the requirement apply to CPA certificate holders that did either of the enumerated tasks. The amendment was necessary to accurately reflect the Board statutory authority found in § 54.1-2005 C 7 of the Code of Virginia.

Subsection F was amended to specify when CPA certificates will expire.

Subdivision G 1 was amended to make clear that an individual holding a CPA certificate issued by another state must obtain a certificate by endorsement from Virginia or meet the substantial equivalency requirements *before* beginning CPA practice in Virginia.

18 VAC 5-21-50. Additional requirements for CPAs who supervise services involving the practice of public accountancy and sign or authorize another to sign reports on financial statements.

The catch line was amended to more completely describe the subject matter in the section.

Subsection A was amended to change the conjunction “or” to “and” to accurately reflect the Board’s statutory authority found in § 54.1-2005 C 7 of the Code of Virginia (see the comment on 18 VAC 5-21-40 E) and to delete several unnecessary words.

Subdivision B 1 was amended to add a phrase on page 20, line 2 citing subsection A of the section for clarity and by deleting language on page 20, line 3 that could cause confusion. The confusion could result from the false impression that there is a difference between a CPA certificate and a CPA certificate by endorsement. Both are CPA certificates and carry the same privileges and responsibilities. The citation on page 20, line 4 was modified to reflect the correct subsection in 18 VAC 5-21-40.

18 VAC 5-21-60. Registration of firms.

Subsection B was deleted in its entirety because the peer review requirement is established in 18 VAC 5-21-70 and need not be included here. The succeeding subsections have been renumbered appropriately.

Subdivision B 1 b has been amended to reflect the Board’s decision to require an affirmation of compliance with peer review to accompany the application for a firm license rather than evidence through a copy of the peer review documents.

Subdivision B 2 has been amended to clarify when the time begins running in order for heirs to dispose of ownership interest.

Subsection C has been amended to delete obsolete language containing dates that are long passed.

Subdivision C 1 b has been amended to add clarifying language.

Subdivision C 1 c has been amended to reflect the Board’s decision to require an affirmation of peer review compliance rather than evidence through a copy of the peer review documents.

Subdivision C 2 has been amended to conform its language to the language found in Subdivision B 2 of this section.

Subsection F has been amended to add language making clear when a registration certificate issued under the regulation section will expire and be renewable.

18 VAC 5-21-70. Peer review.

Subsection A has been amended to delete the work “registered” clarifying that all firms must comply and to add a sentence specifying the standard of peer review required. Those desiring to use a peer review program other than that of the AICPA must obtain prior approval from the Board.

Subsection B has been amended to reflect the Board's decision to require an affirmation of peer review compliance rather than evidence through a copy of the peer review documents and to add language clarifying the specific type of peer review necessary.

Subdivision C 1 has been amended to reflect the Board's decision to require an affirmation of peer review compliance rather than evidence through a copy of the peer review documents and to establish July 1, 2002, rather than the proposed January 1, 2002, as the date the requirement is implemented by the regulation.

Subdivision C 2 has been amended to change the implementation date from December 31, 2001 to June 30, 2002, to reflect the Board's decision to require an affirmation of peer review compliance rather than evidence through a copy of the peer review documents and to include an exception that appeared in Subdivision C 2 a of the proposed regulations. Subdivisions C 2 a through C 2 c have been deleted in their entirety as these requirements are now found in other subdivisions of the section.

Subdivision D 1 has been amended to add clarifying language and to delete language regarding the type of review as this is now found in subsections A and B of this section.

Subdivision D 2 has been amended to delete language regarding the type of review as this is now found in subsections A and B of this section.

Subdivision D 3 has amended to delete language regarding the type of review as this is now found in subsections A and B of this section.

Subsection E has been amended to reflect the Board's decision to require an affirmation of peer review compliance and what evidence of peer review a firm is required to maintain and the length of time a firm is required to maintain it.

Subsection F has been added to clarify what occurs if a firm is not in compliance with the peer review requirements.

18 VAC 5-21-80. Requirement for renewal.

Subsection A has been amended to delete language regarding staggering of expiration dates as this language is obsolete and to clarify the length of time a certificate is renewable.

Subsection B has been amended to clarify when a firm registration certificate needs to be renewed.

Subsection C has been amended to remove obsolete language containing dates that are long passed.

Subsection F has been amended to remove citations to the Code of Virginia as the regulation is more specific and to correct the regulation citation. The language found on page 30, line 16 was changed to accurately reflect the statutory authority found in §54.1-2007 C 7 of the Code of Virginia. In addition, the language starting at page 30, line 19 was amended to reflect the Board's decision to require an affirmation of compliance with peer review for renewal of a registration certificate and to delete the language concerning requirements of peer review as these requirements are established in 18 VAC 5-21-70.

Subdivision G was deleted in its entirety as redundant. The Board cannot renew a certificate if all requirements are not met.

The succeeding subsection has been renumbered.

18 VAC 5-21-90. Requirement for reinstatement.

Subsection A 6 has been amended to insert the word "renewal" to add clarity.

18 VAC 5-21-120. Standards of conduct for all regulants.

Subdivisions K 1 and K 2 were added to clarify contingent fees.

18 VAC 5-21-140. Standards of practice for CPA certificate holders providing tax compliance and advice.

The Board amended the language in the entire section to delete the references to specific standards of practice found in the Statements on Responsibilities in Tax Practice and to refer, instead, to the standards set forth in the Statements on Responsibilities in Tax Practice as the standards may change before regulatory review occurs again.

18 VAC 5-21-170. Continuing professional education requirements for CPA certificate applicants and for CPA certificate holders.

The catch line was amended to more completely describe the subject matter in the section.

Subsection A amended heading to accurately reflect to whom it applies.

Subdivision A 1 was amended to insert word "with" in front of certificate to add clarity. In addition, the words "continuing professional education" were deleted as the definition appears earlier in the regulations with the acronym being used thereafter.

Subdivision A 2 was amended to correct a typographic error and to include "CPE" in front of reporting to add clarity and to amend the date to reflect the change from a fiscal year to a calendar year for CPE reporting purposes.

Subdivision A 3 was added to clarify the amount of CPE required by an individual who obtained his CPA certificate three or more years after passing the CPA examination.

The former subdivision A 3 was renumbered to A 4 and was amended to clarify the CPE requirements a CPA, who obtained his CPA certificate fewer than three years after passing the CPA examination, needs to have obtained prior to commencing work.

The former subdivision A 4 has been deleted in its entirety as the Board chose to retain use of a calendar year for CPE reporting.

Subsection B heading was added to clarify to whom the following requirements applied.

The succeeding subdivisions and subsections have been renumbered.

Subdivision B 1 was amended to insert word “wall” in front of certificate to add clarity.

Subdivision B 3 was added to clarify the amount of CPE required by an individual who obtained his CPA certificate three or more years after passing the CPA examination. It also adds language to clarify the amount of CPE this individual needs to have prior to changing the nature of his practice to that of performing services for the public.

Subsection C was modified to clarify that someone who is not performing the services described in subdivisions A 1 or B 1 is not required to meet CPE requirements. It also clarifies the amount of CPE that is required for someone who ceases to perform services for the public.

Subdivision D 1 was amended to clarify what type of documentation the Board requires for evidence of CPE completion.

Subdivision E 2 was amended to clarify the three-year period as being the three-years in a reporting cycle.

Public Comment

Please summarize all public comment received during the public comment period and provide the agency response. If no public comment was received, please include a statement indicating that fact.

COMMENT SENT BY:	COMMENT	BOARD RESPONSE
Rebecca Lewis RLEWIS@nada.org	“Hello. I just want to express my opinion about the proposed regulations. I do not think it is appropriate to	The Board is mandated by its enabling statute, specifically section 54.1-

	<p>require the same amount of continuing professional education (CPE) for public vs. non-public accountants. Accountants who are not working for the public do not need to keep current on as many issues as do public accountants. In general, I think the CPE requirements for non-public accountants are excessive (not to mention expensive).”</p>	<p>2004 C of the Code of Virginia, to implement CPE for both public and non-public accountants.</p>
<p>Patrick Cobb Pcobb@cybercash.com</p>	<p>“I have reviewed the propose regulations and believe the new regulations have effectively retained the “tiered” certificate status by defining different privileges for certificate holders and supervising CPA.</p> <p>“One of the stated purposes for the new regulation was to eliminate the tiered classes of certificate holders and license holders. The new regulation retains this distinction by assigning privileges to supervising CPA similar to the license. In my opinion, the holder of a CPA certificate should have the professional privileges and responsibilities accorded to everyone meeting the requirements.”</p>	<p>The new law reduces the experience requirement to one year of acceptable experience in accounting or a related field in order for an applicant to receive a CPA certificate. Therefore a person may obtain his CPA certificate without having practiced public accounting. The new law (Section 54.1-2005 C 7) makes it clear that a person who is responsible for supervising public accounting services needs more experience. The Board recognizes that a CPA certificate holder may not have had public accounting experience prior to receiving his certificate. The Board, in its charge to protect the public, wants to ensure that a CPA certificate holder supervising public accounting has at least one year of experience in the practice of public accounting. The former law and regulations prohibited a certificate of maintenance holder from practicing public accounting. The new</p>

		<p>law and regulations allow all CPA certificate holders to practice public accounting thereby eliminating the two-tier system.</p>
<p>Greg Poland Greg_Poland@WITF.pbs.org</p>	<p>“I am a private businessman that has not practiced public accounting for more than twelve years and have no plans to return to the profession. However, the CPA designation I maintain through the Commonwealth’s Certificate of Maintenance program is useful to me and the organization that employs my services.</p> <p>“Unfortunately, the new requirements of Senate Bill 926 requires that in order for me to maintain my Certification, I will need to meet CPE requirements. I find the CPE requirements to be onerous because of the expense involved, the number of hours that I must be away from my office and, frankly, the lack of relevance most of the CPE classes have to my current business responsibilities.</p> <p>“Please allow this communication to serve as a request that the CPE requirements of Senate Bill 926 be repealed.”</p>	<p>If you are not providing any of the services described in 18 VAC 5-21-170 A 1 or B 1, then you are not required to meet the CPE requirements in 18 VAC 5-21-170. If you are performing accounting services as described in 18 VAC 5-21-170 B 1, then you must meet the CPE requirements beginning in 2002. The Board has no authority to repeal an act of the Virginia General Assembly.</p>
<p>John V. O’Connell Certified Public Accountant 19890 Bumpass Road Bumpass, Virginia 23024 (540) 872-5246</p>	<p>1. “The definition of interactive self-study program is unclear. As a sole proprietor, I frequently use self-study programs to satisfy the annual CPE requirements. The courses always require completion of test, which are graded and returned to the participant. I am unclear whether these satisfy the requirement for interactive. I always use courses, which are</p>	<p>1. The Board believes the language in the definition of “interactive self study program,” as modified, is clear and unambiguous and articulates the standards a program must meet to be viewed as interactive.</p> <p>2. The Board is</p>

	<p>approved by the NASBA (National State Boards of Accountancy).</p> <p>2. “I do not believe the profession will benefit from the additional education requirements, which take affect in July 2006.</p> <p>3. “I do not support mandatory peer review. Small firms can not justify this additional overhead.”</p>	<p>mandated by its enabling statute, specifically section 54.1-2003 B, to implement the 150 semester hour education requirement.</p> <p>3. The Board recognizes that there is a cost involved in obtaining a peer review. The Board has concluded that the protection of the public is paramount and, thus, the peer review requirement should not exclude firms based on the extent of services provided or the fees earned. Furthermore, we understand that small firms have undergone peer review have found the process to be very helpful and cost beneficial.</p>
<p>Ernest Lapp, Jr. Lappe@cstone.net</p>	<p>“First: 18 VAC 5-21-80, in paragraph F, in addressing CPE requirements refers to 18 VAC 5-21-160 as the location of the requirements. But the referenced section does not address CPE. The correct reference should be 18 VAC 5-21-170.</p> <p>“Second: 18 VAC 5-21-170 is not clear to me with respect to the CPE requirements for someone like myself, who is retired and is not practicing as a CPA. I do not refer to myself as a CPA in any way, although I have a Virginia CPA certificate. With the demise of the “maintenance” certificate/license, I am not sure if I am required to obtain</p>	<p>The Board has corrected the citation in 18 VAC 5-21-80.</p> <p>If you are not providing any of the services described in 18 VAC 5-21-170 A 1 or B 1, then you are not required to meet the CPE requirements in 18 VAC 5-21-170.</p>

	<p>some level of CPE. If not, then I believe the proposed regulation should be amended to make that perfectly clear. For example, the regulation should state:</p> <p>“Individuals who are retired and not actively practicing public accounting in any form are not required to participate in any CPE or comply with the CPE reporting requirements. However, if any such individual desires to resume active practice, they shall meet the following requirement.” Those reinstatement requirements, whatever might be appropriate could then be stated.</p> <p>“It is my desire to retain my CPA certification, but I see no reason for me, or others like me, to partake of CPE when there is no intention of active practice as a CPA.”</p>	
<p>Dennis Humen 2727 Duke Street Number 1107 Alexandria, Virginia 22314 Dadp@yahoo.com</p>	<p>“I feel the current structure of CPA licensing system is too confusing. The whole supervising CPA concept is difficult to understand and seems to create a two-tiered structure. I don’t understand why there should be a difference. I never want to have to explain to a client that not all CPAs have the same requirements. Please reconsider the structure or have more explanation as to what the real differences are between the two CPA authority levels.”</p>	<p>The Board is mandated by its enabling statute, specifically section 54.1-2005 C 7 of the Code of Virginia, to establish additional experience requirements for individuals who supervise public accounting services and sign or authorize another person to sign the accountants report on the financial statement on behalf of the firm. The Board has endeavored to implement this requirement in a manner that creates the least impact on the regulant.</p> <p>The new law reduces the experience requirement for a CPA certificate holder to</p>

		<p>one year of acceptable accounting experience. This experience does not necessarily include public accounting work. The additional one year of experience needed to supervise CPA services requires the individual to have completed one year of additional work experience in the practice of public accounting. The Board, in its charge to protect the public, wants to ensure that a CPA supervising public accounting services has experience in providing public accounting services.</p>
<p>Rlh@phoenixws.net</p>	<p>“60 says comply with requirement for peer review by 10/3/02. 70 says evidence of peer review required for registration certificate after 1/1/02. QUESTION 1: What is the last day that you can perform an audit without peer review? “QUESTION 2: Where are your special qualification requirements for peer reviewERS? There is a big difference between knowing A correct way of doing things, which any CPA should know, and knowing how far from nominal, i.e., how far a procedure can deviate from THE “correct” way, and still be within acceptable limits. That is what a reviewer must know. How do you insure that they know this? “QUESTION 3: Since the government is the legal licensing body, why can’t CPAs go to government employees for peer reviews, as an alternative to the AICPA? Looks like you are abdicating</p>	<p>Question 1: As set forth in 18 VAC 5-21-70 C, the last day that an audit can be performed without peer review depends on when the firm began offering the services (i.e., the later of June 30, 2002 or the end of three years of first initiating services requiring a peer review). Question 2: The Board has set no standards for the individual conducting a peer review other than he must be a CPA certificate holder. The peer reviewer must conduct the peer review in a manner that is no less stringent than the peer review requirements established by the American Institute of Certified Public Accountants (AICPA).</p>

	<p>one of your basic functions to a private organization, over which the citizens have no control.</p> <p>“QUESTION 4: When are you going to eliminate sexist language like “he” and “himself”? That should have been changed a long time ago.”</p>	<p>Question 3: The Board has no statutory authority to conduct peer reviews itself nor does it have an administrative staff for that purpose. The peer review must be conducted by a CPA certificate holder and must be conducted according to standards which are no less stringent than the requirements established by the AICPA. This, in no way, abdicates the Board’s functions to a private organization. Organizations other than the AICPA can establish peer review standards that would be acceptable to the Board. The regulation in no way limits a registration certificate holder to the peer review standards of the AICPA.</p> <p>Question 4: The language referred to as sexist is in compliance with the rules of English grammar and with Section 1-13.7 of the Code of Virginia which reads, in pertinent part, “a word importing the masculine gender only may extend and be applied to females and to corporations as well as males....” The Board is bound by requirements of statutory construction language found in the Code of Virginia.</p>
<p>H. H. Floyd Hhfloyd@idevgroup.com</p>	<p>“With no exceptions to the rules you have in part V, Depreciation would not</p>	<p>The Board modified 18 VAC 5-21-140 to remove</p>

	<p>exist today. Lynchburg National Bank prepared and took depreciation expense and the courts upheld it. A clear case against following the rules as they exist. There are no provisions made for exceptions to the rules. Every rule written has an exception and the exception proves the rule. Another, thought on the AICPA rules, when there were 8 big CPA firms, can you tell me the amount of money the AICPA paid those firms sued because they crossed all the T and dotted all the I of the AICPA.</p> <p>“Who is going to come to my aid when I followed the rules to the letter? We should at least exercise a little of that independent attitude here or we can find larger problems.</p> <p>“18 VAC 5-21-[1]40 requires due diligence be done. This requires that you verify and puts the accountant into too an great exposure. Most of the rest of this paragraph sights IRS positions and give the CPA no right to defend the taxpayers. What happened to the rule of law that you are innocent until proved guilty?”</p>	<p>the specific standards and, instead, references statements on Responsibilities in Tax Practice promulgated by the AICPA.</p>
<p>Cheryl M. Allen Cmaatwork@juno.com</p>	<p>“I have a real concern about the regulations and how they affect the "small sole-proprietor" certified public accountants who are not performing attestation services. I feel that the regulations center around the large CPA firms and are trying the "squash out" the small practitioner.</p> <p>“The way the regulations are written now, if you are a sole proprietor CPA, use CPA in your business name and compile financial statements, you must register with the board and provide a peer review. These peer reviews are</p>	<p>See the Board’s response below concerning its statutory mandate to require peer review.</p> <p>The Board recognizes that there is a cost involved in obtaining a peer review - particularly for part-time practitioners. However, in the fact pattern that you describe, the cost should be</p>

	<p>priced around \$1000 for a sole proprietor. If a practice's annual write-up or compilation income is only \$3000-\$4000, how can one afford a \$1000 peer review every three years?? It is unfair that the part-time or small sole practitioner has to remove CPA from its business name in order to justify the cost of carrying on a practice.</p> <p>“I understand that the Board is trying to maintain a high standard for the Profession, but it must not penalize the CPA's who have chosen to work in a part-time capacity due to child raising or other factors. They have worked just as hard and earned all the credentials to call themselves a certified public accountant.</p> <p>“There must be some way the make this fair for the small sole proprietor!!</p> <p>“I also think that two of the Regulations are confusing and contradictory. Regulation 18 VAC 5-20-91 C (1) [b] [18 VAC 5-21-60 D 1 c] states that a firm not engaged in the practice of public accounting but uses the term CPA in its name shall submit a statement that the firm has or has not compiled statements in accordance with SSAR. On the contrary, Regulation 54.1-2006 C states that any person referring the himself as CPA (business card, name, etc.) who compiles financial statements must create the report in compliance with SSAR. If the firm uses CPA in it's name, does it have a choice as to whether the compilation is compiled in accordance with SSAR? These two regulations seem to contradict each other. Please advise me as to the Board's interpretation of these two</p>	<p>substantially less than the amounts indicated in your comment. The Board has concluded that the protection of the public is paramount and, thus, the peer review requirement should not exclude firms based on the extent of services provided or the fees earned. Furthermore, we understand that small firms that have undergone peer review have found the process to be very helpful and cost beneficial.</p> <p>The Board agrees that, if the firms you refer to compile financial statements, then they are required by SSARS to follow the standards set forth in SSARS and that requirement is also set forth in Section 54.1-2006 of the Code of Virginia. The Board has added clarifying language to alleviate any ambiguity.</p>
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	<p>regulation taken together.”</p>	
<p>Alan R. Zinn Certified Public Accountant 6641 Backlick Road Springfield, Virginia 22150 (703) 569-7273 (703) 569-3124 (fax)</p>	<p>“I have some written comments on the proposed regulations.</p> <p>“What I object to is the notion of peer review; if there are so few complaints about Virginia CPA’, why is peer review needed? Of course, the answer is that it is in Senate Bill 926, as if the legislators know what peer review is all about.</p> <p>“Be that as it may, why was the section of 18 VAC 5-20-91, part C number 1C [of the October 4, 1999 regulations] pertaining to an off-site peer review deleted from 18 VAC 5-21-70.</p> <p>“If an off-site peer review is allowed and one is not a member of American Institute of Certified Public Accountants, nor of Virginia Society of CPA’s then who is administering entity, which would approve selection.</p> <p>“In closing let me just say that the peer review is unnecessary and will only create an administrative backlog for the Board of Accountancy without any increase in the general public’s protection.”</p>	<p>The Board is mandated by its enabling statute, specifically Section 54.1-2005 C 5 of the Code of Virginia, to implement peer review. The reference to “off-site review” was deleted from the regulations as proposed by the Board because the AICPA replaced this term with the term “report review,” which is also an off-site review. The regulation does not specifically require membership in either the American Institute of Certified Public Accountants (AICPA) or of the Virginia Society of Certified Public Accountants (VSCPA). Rather, it requires that a peer review be conducted in accordance with standards that are no less stringent than those established by the AICPA. Other organizations can develop peer review standards that are no less stringent than those of the AICPA that will be acceptable to the Board.</p>
<p>Stephanie R. Peters Public Affairs Director Virginia Society of Certified Public Accountants Post Office Box 4620 Glen Allen, Virginia 23058-4620 (804) 270-5344</p>	<p>1. 18 VAC 5-21-10: Definitions. Changing the CPE reporting year to July 1 through June 30 is not recommended. The Jan 1 through Dec. 31 calendar reporting year coincides with many other organization’s CPE reporting requirements, and keeping</p>	<p>1. The Board concurs and has retained a December 31 reporting year.</p> <p>2. The Board amended the language to make clear that a CPA candidate who sits for the examination prior to</p>

<p>(804) 273-1741 fax e-mail: vscpa@vscpa.com Website: www.vscpa.com</p>	<p>this timeframe would be easier for regulants to maintain and report CPE credits.</p> <p>2. 18 VAC 5-21-30.B.1: Education prior to taking the examination. Clarify the examination requirement for applicants before July 1, 2006; that they may continue to sit for the examination after July 1, 2006 if their applications were received before July 1, 2006.</p> <p>3. 18 VAC 5-21-40.A: Practicing as a CPA in the Commonwealth of Virginia. Add phrasing to make clear this section applies to CPA certificate by endorsement holders as well.</p> <p>4. 18 VAC 5-21-40.C.2.a: CPA Certificate by Endorsement. Add additional phrasing to the subdivision to make clear that an applicant for a CPA certificate by endorsement must pass the national examination under Virginia conditions and must pass Virginia’s ethics examination.</p> <p>5. 18 VAC 5-21-40.E: Additional Experience for supervising CPA services. Revise the language to accurately implement §54.1-2005 C 7 of the Code. The Code is phrased “who supervise public accounting <u>AND</u> signs or authorizes...” The proposed regulation used the conjunction “or” rather than “and.” Revising the “or” to “and” in the proposed regulation will</p>	<p>July 1, 2006 and meets the requirements of 18 VAC 5-21-30 C is not required to meet the 150-hour requirement until such time as the requirement of 18 VAC 5-21-30 C is not met.</p> <p>3. Both CPA certificate holders and CPA certificate by endorsement holders are CPA certificate holders, issued the same instrument and authorized to conduct the same practice. The only difference is the manner of qualification. The difference disappears at the moment the certificate is issued. The cut line for 18 VAC 5-21-40 mentions certificate by endorsement because certificate of endorsement is mentioned in subsection C. The suggested amendment has not been made.</p> <p>4. The Board concurs that “national uniform” should be added to (iv). With respect to the addition to (v), the Board believes the suggested amendment (i) adds complexity the Board had previously concluded was not cost beneficial; (ii) asks the other state to confirm that the applicant has passed the national examination and the Virginia ethics examination in the manner required by 18 VAC 5-21-30 C, information the other state is unlikely to possess, and</p>
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	<p>accurately implement the Code.</p> <p>6. 18 VAC 5-21-40.G.1: Privilege to practice without a CPA certificate by endorsement, substantial equivalency. Revise the language to state specifically why someone would need a CPA certificate by endorsement or need to meet substantial equivalency.</p> <p>7. 18 VAC 5-21-50 Additional requirements for CPAs supervising services involving the practice of public accountancy. Revise the section catch line to conform to the statute relating to the additional experience requirement (§54.1-2005 Section C 7) as follows: Additional requirements for CPAs supervising <u>who supervise</u> services involving the practice of public accountancy <u>and sign or authorize another to sign reports on financial statements.</u></p> <p>8. 18 VAC 5-21-50.A Change the conjunction “or” to “and” as mentioned under 18 VAC 5-21-40 E and strike the term “accountant’s report” because it is not defined.</p> <p>9. 18 VAC 5-21-50.B.1 Additional requirements for CPAs supervising services involving the practice of public accountancy. After “services” on page 18, Line 18 add “and sign or authorize another person to sign on behalf of the firm the report on the financial statements</p>	<p>(iii) obviate the benefit of substantial equivalency.</p> <p>5. The board has reordered the sentence, the substantive change of which is a small working change that makes a big difference. The major change for the modified wording is to change the “or” before the word “signing” to “and.” This change makes this provision applicable to a CPA that supervises <i>and</i> signs a report rather than a CPA that <i>either</i> supervises <i>or</i> signs the report. This amendment accurately implements § 54.1-2005 C 7 of the Code of Virginia.</p> <p>6. The Board agrees that 18 VAC 5-21-40 G 1 would benefit from an additional phrase to make clear the requirement must be met before CPA practice in Virginia may begin. The Board has added the following phrase to the end of the subdivision [page 17, line 4]: <u>“before beginning CPA practice in Virginia.”</u></p> <p>7. The Board agrees that the regulation must be amended to accurately implement the Code of Virginia. The amendment has been made.</p> <p>8. The Board agrees that the regulation must be amended to accurately implement the Code of</p>
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	<p>resulting from the practice of public accounting”.</p> <p>10. 18 VAC 5-21-50.B.2 “An examination of prospective financial information is generally considered an assurance service and therefore should be included in the experience requirement.” On page 19, line 6, after “audit” add “and (3) not less than 600 of these hours in the performance of examinations of prospective financial statements if the services involve examinations of prospective financial information.”</p> <p>11. 18 VAC 5-21-60.B: Registration of Firms. This entire subsection contradicts peer review. The due dates established in section 18 VAC 5-21-70 of the proposed regulations are not consistent with this section. Recommend the subsection be deleted in its entirety.</p> <p>12. 18 VAC 5-21-60 C.1.b “The VSCPA recommends removing the requirement for firms to submit evidence of peer review with its initial application. Since most firms submitting an initial registration certificate application will be newly organized firms that have not undergone peer review, most new applicants will not have a peer review letter to send with the firm’s initial application, therefore, making the requirement unnecessary.”</p> <p>13. 18 VAC 5-21-60.D: Remove the last sentence of the</p>	<p>Virginia and to remove the undefined term. The amendments have been made.</p> <p>9. The Board agrees that the regulation must be amended to accurately implement the Code of Virginia. A revision has been made at the point suggested by the VSCPA. However, the words “,as described in subsection A of this section,” were added rather than the words suggested by the VSCPA.</p> <p>10. The Board concurs that an examination of prospective financial statements is an assurance engagement; however, it does not believe this change is necessary because someone with 600 hours of audit experience with either historical or prospective financial statements should be able to capably examine prospective financial statements and, thus, it is unnecessary to require 600 hours of experience solely with respect to prospective financial statements. Also, it should be noted that the definition of “audit” in 18 VAC 5-21-10 refers to financial statements, and the definition of “financial statements” in 18 VAC 5-21-10 refers to both historical or prospective financial statements. Thus, further elaboration should</p>
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	<p>subsection as it contains dates that are no longer relevant.</p> <p>14. 18 VAC 5-21-70: Peer review. “The VSCPA highly recommends taking the least complicated approach to regulating peer review at this time. To do so, the VSCPA recommends many changes to this section of the proposed regulations. The VSCPA recommends the following required due dates for peer review:</p> <ul style="list-style-type: none"> • Any firm performing services requiring peer review prior to July 1, 1999 must have completed their first peer review by July 1 2002, exactly three years later. • Any firm initiating services requiring peer review after July 1, 1999 must have their first peer review within three years from the date it first began those services. <p>“This approach is easier to understand and enforce than the proposed regulations.</p> <p>“The VSCPA also recommends clarifying what “comply with the peer review requirement” means and removing unnecessary language reminding firms that they must register prior to performing services requiring registration.</p> <p>“Removing language allowing firms an additional three years for higher level peer review removes a loophole that allows a firm to wait an additional three years after initiating the higher level service. The VSCPA recommends</p>	<p>not be necessary.</p> <p>11. The Board agrees that the due dates are incorrect. This subsection has been revised and moved to 18 VAC 5-21-70, which deals with the peer review requirement.</p> <p>12. The Board does not believe this change should be made because, even though most firms may not initially need to include the documents, some will (e.g., a large national firm opening an office in Virginia). The existing language indicates “as required by 18 VAC 5-21-70,” so if they are not required, then none would be submitted.</p> <p>13. The Board agrees that the dates are no longer relevant. The amendment has been made.</p> <p>14. The Board has adopted the suggested effective date of July 1, 2002 in C 1 and C 2. The July 1, 1999 date has been added to C 2 a in order to fix an applicable date.</p> <p>The Board believes “what comply with the peer review requirement means” is now clear. The requirement has been modified in subsection E based on conversations with Grace Sell with the VSCPA.</p>
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	<p>letting the peer review process determine the level of review the firm must undergo.</p> <p>“The standard of the peer review requirement should be to obtain a peer review performed in accordance with standards at least comparable to the AICPA’s Peer Review Program; therefore it is recommend to remove the reference to allowing a sub-standard peer review.</p> <p>“In order to simplify the enactment of the peer review requirement, we suggest striking any references to required outcomes on peer reviews. The Peer Review Program itself requires follow-up action for firms that receive modified or adverse peer review reports. As worded, the proposed regulations do not allow for an adverse finding. Some firms will receive an adverse opinion on a peer review and will satisfactorily complete the follow-up action to remedy the problem. Also, the proposed regulations relating to engagement reviews do not require the firm to show that the results of the modified or adverse review have been satisfactorily resolved.</p> <p>“Finally, it is highly recommended that documentation of participation in peer review be provided to the Board upon request only, as in the enforcement of the CPE requirement. It would be a simpler means of enforcing compliance rather than requiring all firms to send in documentation with renewal applications over differing peer review cycles.”</p> <p>15. 18 VAC 5-21-80.C</p>	<p>As suggested, the remaining section about registration has been removed from 18 VAC 5-21-70 C 2.</p> <p>The existing language included the phrase “in accordance with standards that are no less stringent than the peer review program of American Institute of Certified Public Accountants.” Any reference to substandard peer review has been removed.</p> <p>References to required outcomes have been removed from 18 VAC 5-21-70 D.</p> <p>The required evidence in subsection E has been modified to require an affirmation.</p> <p>15. The Board agrees that much of the language is no longer relevant and should be deleted. However, the first sentence in the subdivision is being retained and changed to the past tense. The regulation language will continue to make clear that those firm registrations issued in compliance with the 1997 regulations became void on November 30, 1999.</p> <p>16. The Board agrees that the renewal language must</p>
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	<p>Requirement for renewal. The dates contained in this subsection are no longer relevant and the entire subsection should be deleted.</p> <p>16. 18 VAC 5-21-80.F Remove words “practicing public accounting” because renewal requirements pertain to all registered firms, not just those practicing public accounting.</p> <p>“...It is far simpler to reference the requirements in the Code of Virginia and remove the proposed wording dealing with peer review (much of which is inconsistent with Section 18 VAC 5-21-70 of the proposed regulations).”</p> <p>17. 18 VAC 5-21-120.K Standards of conduct for all regul ants. Add two subdivisions to this subsection to conform to the AICPA Code of Professional Conduct Interpretation Under Rule 302, to clarify the regulations regarding contingent fees and extend the meaning of “prepare an original tax return or claim for a tax refund for a contingent fee....”.</p> <p>18. 18 VAC 5-21-170.A.3 Continuing professional education requirements for CPA certificate holders. Rephrase this subdivision to change the word “year” to “twelve months.”</p> <p>“This clarifies when a CPA must obtain the first 40 hours of CPE.”</p>	<p>pertain to all registered firms. The language has been amended to remove language now redundant to 18 VAC 5-21-70 and to require an affirmation of peer review only from those registered firms subject to the provisions of 18 VAC 5-21-70. The language has been amended to “A firm holding” thereby removing “practicing public accounting and”.</p> <p>17. The Board concurs and has made this change.</p> <p>18. The Board concurs and has made this change.</p> <p>19. The Board concurs and has made this change.</p> <p>20. The Board concurs and has made this change.</p>
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	<p>19. 18 VAC 5-21-170.A.4 Recommend deleting the entire subdivision.</p> <p>“We do not recommend changing the CPE reporting year to July 1-June 30. We feel the annual reporting year coincides with other states CPE requirements and keeping the calendar year would be easier for regulants to maintain records an report CPE credits.”</p> <p>20. 18 VAC 5-21-170.B.1 Recommend adding additional language concerning the documents that will be accepted as evidence of CPE compliance.</p> <p>“With the change in the CPE requirement to allow CPAs to choose the course provider, it is necessary to allow a variety of documentation that verifies the CPA completed the course.”</p>	
<p>Stanley M. Harrell Certified Public Accountant 228 Coliss Avenue Virginia Beach, Virginia 23462 0305-005123 (757) 499-4188 stanleymharrell@erols.com</p>	<p>The opinion was expressed that the peer review requirement addresses no existing problem. Its sole objective is to increase the membership in AICPA and VSCPA.</p> <p>The consumer should have the option of choosing a CPA that belongs to these organizations for work that would benefit from the expertise resulting from peer review.</p> <p>Peer review is a waste of time.</p> <p>Regulations requiring the payment of a “tax” (cost of membership) to a non-government organization and forcing peer review on the industry exceed the function of government.</p>	<p>The Board is mandated by its enabling statute, specifically section 54.1-2005 C 7 of the Code of Virginia, to implement peer review. The regulation does not specifically require membership in either the American Institute of Certified Public Accountants (AICPA) or the Virginia Society of Certified Public Accountants (VSCPA). Rather, it requires that a peer review be conducted in accordance with standards that are no less stringent than those established by the AICPA.</p>

		<p>Other organizations can develop peer review standards that are no less stringent than those of the AICPA that will be acceptable to the Board.</p>
<p>Amy Rush, CPA arush@clark-bradshaw.com</p>	<p>“The new Proposed Regulations for the Virginia Board of Accountancy seem to indicate that the 40 hour CPE requirement will now need to be met on a fiscal year ending June 30 (see definition of "CPE Reporting Year"). The CPAs I have talked to would prefer this to remain on a calendar year, as it leaves non-tax season time in the fall to take classes to meet the remaining year’s CPE requirements. Was there a specific reason why this was changed? If I am mistaken regarding this new requirement, I would appreciate further clarification on this matter.”</p>	<p>The Board concurs and has retained a December 31 CPE reporting year.</p>

Detail of Changes

Please detail any changes, other than strictly editorial changes, that are being proposed. Please detail new substantive provisions, all substantive changes to existing sections, or both where appropriate. This statement should provide a section-by-section description - or crosswalk - of changes implemented by the proposed regulatory action. Include citations to the specific sections of an existing regulation being amended and explain the consequences of the changes.

In section 18 VAC 5-21-10 of the regulation, certain definitions have been added, modified or deleted to comply with the mandates established in SB 926 (1999). The definitions have been amended in accordance with the new requirements of Chapter 20 of Title 54.1 of the Code of Virginia.

In section 18 VAC 5-21-20 of the regulation, the fee schedule governing application fees, examination fees, renewal fees and reinstatement fees has been established in compliance with § 54.1-113 of the Code of Virginia. In addition, a prorated fee schedule has been established to accommodate the implementation of a staggered renewal system for all board regulants. This

staggered renewal system replaces the current system in which every license issued by the board expires on September 30th of each year. The renewal fees are mandated in § 54.1-2004 of the Code of Virginia.

In section 18 VAC 5-21-30 of the regulation, new qualifications for education, examination and eligibility to receive a CPA certificate have been established for candidates who will be applying for an initial CPA certificate after July 1, 2006. SB 926 (1999) amended § 54.1-2003 of the Code of Virginia to establish more stringent standards for applicants who apply on July 1, 2006 and thereafter. In addition, applicants who pass two or more of the four sections of the CPA licensing examination will be given credit for the sections passed provided that certain conditions are met. Each applicant for initial issuance of a CPA certificate shall provide documentation of having at least one year of acceptable experience in accounting or a related field. The experience may include providing any type of service or advice involving the use of accounting, management, financial, tax, or consulting advisory skills or services. Acceptable experience shall include employment in government, industry, academia or public accounting or related services.

Sections 18 VAC 5-20-30 and 18 VAC 5-20-40 have been deleted in their entirety due to new provisions mandated by SB 926 (1999).

Section 18 VAC 5-21-40 of the regulation is a new section that governs the issuance of original CPA certificates; certificates by endorsement and substantial equivalency qualifications; and supervising CPA qualifications. Specifically, SB 926 (1999) establishes that "certificate holders" and "licensees" will both become holders of CPA certificates – ending the current two-tier system. In order to obtain a CPA certificate, the applicant must complete the education, examination and experience requirements. Once all requirements are met, the individual may obtain a CPA certificate, which will act as a license. This certificate authorizes the individual to practice public accountancy.

SB 926 (1999) also mandates that each applicant for a certificate by endorsement submit an application documenting that the applicant holds a corresponding certificate as a certified public accountant issued after meeting examination and other requirements under laws of the state(s) from which the applicant is seeking endorsement.

CPA certificate holders will be required to meet additional experience requirements before supervising services involving the practice of public accounting, or before signing or authorizing another person to sign the accountant's report on the financial statements on behalf of the firm.

Sections 18 VAC 5-20-50 through 18 VAC 5-20-80 have been deleted in their entirety due to new provisions mandated by SB 926 (1999).

Section 18 VAC 5-21-50 of the regulation is a new section that establishes additional requirements for Supervising CPAs. In addition to the one year of experience required to receive a CPA certificate, CPAs desiring to supervise shall have one additional year of experience in the practice of public accounting, as defined in 18 VAC 5-21-10, beyond that required for the initial CPA certificate. At least 600 of these hours must be in the performance

of audits or reviews. One year of experience shall consist of no fewer than 2,000 hours of full or part-time employment that extends over a period of no less than one year and no more than three years. The experience must have been gained under the direct supervision of a CPA certified in any state. Individuals who were issued a CPA license under the April 1, 1997 regulations will be deemed to have met this requirement provided their CPA license was still valid on October 4, 1999.

Section 18 VAC 5-20-90 has been deleted in its entirety due to new provisions mandated by SB 926 (1999).

Section 18 VAC 5-21-60 of the regulation is a new section that establishes new requirements for the registration of CPA firms. To implement the amended provisions of § 54.1-2005 B of the Code of Virginia, any firm with one or more offices in the Commonwealth which practices, directly or indirectly, public accounting or which uses the term "Certified Public Accountant(s)" or the designation "CPA" in the name of the firm, shall register with the board. To implement the amended provisions of § 54.1-2005 C of the Code of Virginia, any firm with an office in the Commonwealth providing or offering to provide public accounting services shall be issued a registration certificate by the Board upon application and payment of the required fee. To implement the amended provisions of § 54.1-2005 D of the Code of Virginia, any firm that is not engaged in the practice of public accounting but uses the term "Certified Public Accountant" or the "CPA" designation in its name shall be issued a registration certificate by the Board upon its application and payment of the required fee provided the firm is in compliance with certain subdivisions of § 54.1-2005 C of the Code of Virginia. To implement the amended provisions of § 54.1-2005 C 3 of the Code of Virginia, all non-CPA owners must work in the registered firm. "Work in the firm" means that the non-CPA owner must be employed full-time by the firm, and those retiring have one year from the last day of their full-time involvement with the firm to dispose of their interest. Heirs shall have two years in which to dispose of the ownership interest.

Section 18 VAC 5-21-70 of the regulation is a new section that provides specific guidelines and requirements to implement the amended provisions of § 54.1-2005 C 4 and § 54.1-2005 D 2 of the Code of Virginia which now require public accounting firms with one or more offices in the Commonwealth engaged in public accounting or using the term "Certified Public Accountant(s)" or the designation "CPA" in the name of the firm to undergo a peer review at least once every three years after becoming registered with the Board.

Under sections 18 VAC 5-21-80 and 18 VAC 5-21-90 of the regulation, the requirements for renewal and reinstatement of CPA certificates have been amended to implement a staggered renewal system so as to cause an approximately equal number of CPA certificates to expire each month. Each CPA certificate that expires on September 30, 2000 shall be renewed in a manner to implement the staggered renewal system. To implement the new entry standards for firm registration mandated by SB 926 (1999), all registration certificates issued to professional corporations and professional limited liability companies under the April 1, 1997 regulations became void on November 30, 1999. Those firms must apply for registration with the Board in compliance with the requirements of section 18 VAC 50-21-60. The November 30, 1999 deadline appears in the currently effective emergency regulations and is being retained even though the date has passed. Currently, a number of firms have not yet applied for the "new" registration

and the Board feels the November 30, 1999 deadline has regulatory value. Section 18 VAC 5-21-90 also amends the time period for reinstatement. If regulants fail to renew within 12 months after the expiration date of the certificate or the registration, they must apply for reinstatement.

Section 18 VAC 5-21-110 of the regulation has been added to replace sections 18 VAC 5-20-140 and 18 VAC 5-20-380 which have been deleted in their entirety.

Sections 18 VAC 5-20-120 through 18 VAC 5-20-440 have been deleted in their entirety due to new provisions mandated by SB 926 (1999).

Section 18 VAC 5-21-120 of the regulation has been added to establish new standards of practice and conduct for all regulants in compliance with the new provisions of SB 926 (1999). Of note, as provided in § 54.1-2007 D 2 and 3 of the Code of Virginia, a CPA certificate holder shall not perform for a contingent fee (i) any services for, or receive such a fee from, a client for whom the CPA certificate holder or his firm performs services which involve the practice of public accounting, during the period when such services are being provided and during the period covered by the financial statements; or (ii) prepare an original tax return or claim for a tax refund for a contingent fee for any client. As provided in § 54.1-2007 D 1 of the Code of Virginia, a CPA certificate holder shall not recommend to a client any product or services for a commission, or, for a commission, recommend or refer any product or service to be supplied by a client, or receive a commission when the CPA certificate holder also performs for that client any service which involves the practice of public accounting. This prohibition applies during the period in which the CPA certificate holder is providing services which involve the giving of an assurance or during the period covered by any financial statements that were prepared by the CPA certificate holder as a part of such services. As provided in § 54.1-2007 E of the Code of Virginia, a CPA certificate holder who is not prohibited from accepting a commission and who is paid or expects to be paid a commission shall disclose that fact to any person or entity to whom the CPA certificate holder recommends or refers a product or service to which the commission applies. As provided in § 54.1-2007 F of the Code of Virginia, a CPA certificate holder who accepts a referral fee for recommending or referring any service of a CPA certificate holder shall disclose such payment to the client.

Sections 18 VAC 5-21-130 through 18 VAC 5-21-150 of the regulation have been added to establish specific Standards of Practice for CPA certificate holders involved in various aspects of the practice of public accounting as identified by SB 926 (1999).

Section 18 VAC 5-21-160 of the regulation has been added to establish new standards of practice for new firm regulants as established by SB 926 (1999).

Section 18 VAC 5-20-450 has been deleted in its entirety due to new provisions mandated by SB 926 (1999).

Section 18 VAC 5-21-170 of the regulation has been added to clarify new CPE requirements. As provided in § 54.1-2004 B of the Code of Virginia, any person referring to himself as a "Certified Public Accountant" or "CPA," including the use of the "CPA" title on individual business cards, letterhead and all other documents and devices except the CPA certificate, and who is performing or offering to perform any services involving accounting skills or auditing skills,

issuing reports on financial advisory or consulting services, preparing tax returns, or furnishing advice on tax matters, for the public, shall obtain 120 hours of continuing professional education during each three-year period with a minimum of 20 hours per year. The CPA certificate holder may choose the areas of study and courses. Any individual covered by this provision who previously was not required to obtain continuing professional education, shall obtain at least 20 hours of continuing professional education in each of the calendar years 2000, 2001 and 2002 and meet the 120 hour requirement for the three year period ending December 31, 2002. As provided in § 54.1-2004 C of the Code of Virginia, effective July 1, 2002, any person referring to himself as a "Certified Public Accountant" or "CPA," including the use of the "CPA" title on individual business cards, letterhead and all other documents and devices except the CPA certificate, and who is performing or offering to perform any services involving accounting skills or auditing skills, issuing reports on financial advisory or consulting services, preparing tax returns, or furnishing advice on tax matters, for an employer or other organization and not for the public, or who is employed as an educator in the field of accounting, shall meet the following CPE requirements as a condition of renewal of the person's CPA certificate: (i) for the three -year reporting period beginning July 1, 2002, a minimum of 45 credit hours with a minimum of 10 hours per year, (ii) for the three-year reporting period beginning July 1, 2005, a minimum of 90 credit hours with a minimum of 15 hours per year, and (iii) for the three-year reporting periods beginning on or after July 1, 2008, a minimum of 120 credit hours with a minimum of 20 hours per year. The certificate holder may choose the areas of study and courses.

Sections 18 VAC 5-20-460 through 18 VAC 5-20-500 have been deleted in their entirety due to new provisions mandated by SB 926 (1999).

Family Impact Statement

Please provide an analysis of the regulatory action that assesses the impact on the institution of the family and family stability including the extent to which the regulatory action will: 1) strengthen or erode the authority and rights of parents in the education, nurturing, and supervision of their children; 2) encourage or discourage economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one's spouse, and one's children and/or elderly parents; 3) strengthen or erode the marital commitment; and 4) increase or decrease disposable family income.

No impact on the families in Virginia has been identified as resulting from the proposed regulations.