

Dear Senators PATRICK, Guthrie, Ward-Engelking, and
Representatives BARBIERI, Clow, Smith:

The Legislative Services Office, Research and Legislation, has received the enclosed rules of
the Board of Accountancy:

IDAPA 01.01.01 - Idaho Accountancy Rules - Proposed Rule (Docket No. 01-0101-1801);

IDAPA 01.01.01 - Idaho Accountancy Rules - Proposed Rule (Docket No. 01-0101-1802).

Pursuant to Section 67-454, Idaho Code, a meeting on the enclosed rules may be called by the
cochairmen or by two (2) or more members of the subcommittee giving oral or written notice to Research
and Legislation no later than fourteen (14) days after receipt of the rules' analysis from Legislative
Services. The final date to call a meeting on the enclosed rules is no later than 09/28/2018. If a meeting is
called, the subcommittee must hold the meeting within forty-two (42) days of receipt of the rules' analysis
from Legislative Services. The final date to hold a meeting on the enclosed rules is 10/29/2018.

The germane joint subcommittee may request a statement of economic impact with respect to a
proposed rule by notifying Research and Legislation. There is no time limit on requesting this statement,
and it may be requested whether or not a meeting on the proposed rule is called or after a meeting has
been held.

To notify Research and Legislation, call 334-4854, or send a written request to the address on the
memorandum attached below.



Eric Milstead
Director

Legislative Services Office

Idaho State Legislature

Serving Idaho's Citizen Legislature

MEMORANDUM

TO: Rules Review Subcommittee of the Senate Commerce & Human Resources Committee and the House Business Committee

FROM: Legislative Research Analyst - Matt Drake

DATE: September 11, 2018

SUBJECT: Board of Accountancy

IDAPA 01.01.01 - Idaho Accountancy Rules - Proposed Rule (Docket No. 01-0101-1801)

IDAPA 01.01.01 - Idaho Accountancy Rules - Proposed Rule (Docket No. 01-0101-1802)

1. IDAPA 01.01.01 - Idaho Accountancy Rules - Proposed Rule

Summary and Stated Reasons for the Rule

Existing rules provide a peer review process for a firm that issues reports on accounting and auditing engagements. The peer review process monitors a firm's compliance with applicable accounting and auditing standards. Under the proposed rule, a firm or licensee subject to the peer review process that is advised by a peer reviewer or team captain that a grade of fail will be recommended must notify the Board within 30 days of such advisement. Under existing rules, the Board is authorized to take appropriate action to protect the public if the peer review process reveals that a firm or licensee's performance or reporting practices, or both, do not comply with applicable professional standards. Under the proposed rule, an array of potential corrective actions, each consistent with existing statutory authority, will be available to the Board.

Negotiated Rulemaking / Fiscal Impact

Negotiated rulemaking was conducted. There is no fiscal impact.

Statutory Authority

The rulemaking appears authorized under Sections 54-204(1) and 54-219, Idaho Code.

2. IDAPA 01.01.01 - Idaho Accountancy Rules - Proposed Rule

Summary and Stated Reasons for the Rule

Proposed changes to rule 108 eliminate references to a former paper-based examination process that is no longer applicable. Proposed Rule 304 amendments streamline the reciprocal licensing process to make it easier for applicants. The agency will utilize the National Association of State Boards of Accountancy's standards. The new process will allow the agency to gather information about a reciprocal licensing candidate from the Accountancy Licensing Database electronically instead of requiring applicants to have another jurisdiction supply information. Finally, proposed Rule 502 changes allow licensees with CPA-Retired or CPA-Inactive

status to volunteer accounting services, such as through service on a non-profit board, so long as the CPA is competent to offer such volunteer services.

Negotiated Rulemaking / Fiscal Impact

Negotiated rulemaking was conducted. There is no fiscal impact.

Statutory Authority

The rulemaking appears authorized under Section 54-204(1), Idaho Code.

cc: Board of Accountancy
Kent A. Absec

***** PLEASE NOTE *****

Per the Idaho Constitution, all administrative rules must be reviewed by the Legislature during the next legislative session. The Legislature has 3 options with this rulemaking docket: **1)** Approve the docket in its entirety; **2)** Reject the docket in its entirety; or **3)** Reject the docket in part.

IDAPA 01 – BOARD OF ACCOUNTANCY

01.01.01 – IDAHO ACCOUNTANCY RULES

DOCKET NO. 01-0101-1801

NOTICE OF RULEMAKING – PROPOSED RULE

AUTHORITY: In compliance with Section 67-5221(1), and 67-5220(2), Idaho Code, notice is hereby given that this agency has initiated proposed rulemaking procedures. The action is authorized pursuant to Section 54-204(1), Idaho Code.

PUBLIC HEARING SCHEDULE: Public hearing(s) concerning this rulemaking will be scheduled if requested in writing by twenty-five (25) persons, a political subdivision, or an agency, not later than September 19, 2018.

The hearing site(s) will be accessible to persons with disabilities. Requests for accommodation must be made not later than five (5) days prior to the hearing, to the agency address below.

DESCRIPTIVE SUMMARY: The following is a nontechnical explanation of the substance and purpose of the proposed rulemaking:

Rule 606 – This rule is being updated to reflect that a firm/licensee that is advised by a peer reviewer or team captain that a grade of fail will be recommended on their peer review must notify the Board within 30 days of said advisement. Amending this rule is needed to:

- 1) help protect the public, those that rely on reports issued by CPAs; and
- 2) to help firms/licensees be in compliance when issuing peer reviewable services for clients.

Rule 617 – This rule is being amended to help the Board take appropriate action to protect the public should the Board determine through the peer review process that a firm/licensee's performance or reporting practices, or both, are not or may not be in accordance with applicable professional standards.

FEE SUMMARY: The following is a specific description of the fee or charge imposed or increased:

This proposed rule change has no associated fee.

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars (\$10,000) during the fiscal year resulting from this rulemaking:

There is no negative fiscal impact or effect to the state general fund as a result of this rulemaking.

NEGOTIATED RULEMAKING: Pursuant to Section 67-5220(1), Idaho Code, negotiated rulemaking was conducted. The Notice of Intent to Promulgate Rules – Negotiated Rulemaking was published in the July 4, 2018 Idaho Administrative Bulletin, [Volume 18-7 pages 17 and 18](#).

INCORPORATION BY REFERENCE: Pursuant to Section 67-5229(2)(a), Idaho Code, the following is a brief synopsis of why the materials cited are being incorporated by reference into this rule: N/A

ASSISTANCE ON TECHNICAL QUESTIONS, SUBMISSION OF WRITTEN COMMENTS: For assistance on technical questions concerning the proposed rule, contact Kent A. Absec, Executive Director at (208) 334-2490.

Anyone may submit written comments regarding this proposed rulemaking. All written comments must be directed to the undersigned and must be delivered on or before September 26, 2018.

DATED this 27th day of July, 2018.

Kent A. Absec,
Executive Director
Idaho State Board of Accountancy
3101 W. Main St., Suite 210, Boise, ID 83702
P.O. Box 83720, Boise, ID 83720-0002
Phone: (208) 334-2490 / Fax: (208) 334-2615
E-mail: kent.absec@isba.idaho.gov

THE FOLLOWING IS THE PROPOSED TEXT OF DOCKET NO. 01-0101-1801
(Only Those Sections With Amendments Are Shown.)

606. REPORTING TO THE BOARD (RULE 606).

01. Firm Registration Form. All firms performing any of the services set out in Rule 602 shall annually file a firm registration report no later than September 30. The registration shall be on such form as prescribed by the Board. Firm registrations filed after September 30 are subject to penalty for non-compliance pursuant to Rule 703. (4-11-15)

02. Peer Review Documentation. A firm that has undergone peer review will file a copy of the peer review report, letter of comments if any, letter of response if any, and letter accepting the review report issued by the administering organization. The letter will be filed within thirty (30) days after receipt. Additionally, a firm must notify the Board within thirty (30) days of the date the peer reviewer or a team captain advises the firm that a grade of fail will be recommended. The Board reserves the right to obtain all other information relating to the peer review. (4-6-05)()

(BREAK IN CONTINUITY OF SECTIONS)

617. PENALTY REMEDIES FOR FAILURE TO COMPLY (RULE 617).

A penalty as prescribed in Rule 703 shall be assessed for each act of non-compliance with Subchapter G. The annual license of the principal(s) of a non-compliant firm will not be issued until the firm complies with all requirements of Subchapter G, provided the licensee has met all licensing requirements. (4-2-03)

01. Corrective Actions. The Board will take appropriate action to protect the public interest if the Board determines, through the peer review process or otherwise, that a firm's performance or reporting practices, or both, are not, or may not be, in accordance with applicable professional standards, or that the firm does not comply with peer review program requirements or with all or some of the reporting, remedial action, or fee penalty requirements of this section. The Board's actions may include, but are not limited to: ()

a. The annual license of the principal(s) of a non-compliant firm will not be issued until the firm complies with all requirements of Subchapter G, provided the licensee has met all licensing requirements; ()

b. Requiring the firm to develop quality control procedures to provide a reasonable assurance that similar occurrences will not occur in the future; ()

c. Requiring any individual licensee who had responsibility for, or who substantially participated in, the engagement(s) to successfully complete specific courses or types of continuing education as specified by the Board; ()

d. Requiring the reviewed firm to engage a Board-approved licensee to conduct a Board-prescribed on-site field review of the firm's work product and practices or perform other investigative procedures to assess the

degree or pervasiveness of nonconforming work product. The Board-approved licensee engaged by the firm shall submit a report of the findings to the Board within thirty (30) days of the completion of the services. The cost of the Board-prescribed on-site review or other Board-prescribed procedures will be at the firm's expense; ()

e. Requiring the reviewed firm responsible for engagement(s) to submit all or specified categories of its compilation or attest working papers and reports to a preissuance evaluation performed by a Board-approved licensee in a manner and for a duration prescribed by the Board. Prior to the firm issuing the reports on the engagements reviewed, the Board-approved licensee shall submit to a designee of the Board for the purpose of recommending that the Board accept a report of the findings, including the nature and frequency of recommended actions for the firm. The cost of the Board-approved preissuance evaluation will be at the firm's expense; ()

f. Initiating an investigation to determine if additional discipline pursuant to Section 54-219, Idaho Code, is warranted. Notwithstanding the foregoing, absent an investigation the specific rating of a single peer review report is not a sufficient basis to warrant disciplinary action; or ()

g. Requiring the firm pay a penalty as prescribed in Rule 703 of these rules, for each act of non-compliance with Subchapter G. ()

02. Solicitation and Review of Other Sources. The Board may solicit and review licensee reports and other information covered by the reports from clients, public agencies, banks, and other users of such information. ()

IDAPA 01 – BOARD OF ACCOUNTANCY

01.01.01 – IDAHO ACCOUNTANCY RULES

DOCKET NO. 01-0101-1802

NOTICE OF RULEMAKING – PROPOSED RULE

AUTHORITY: In compliance with Section 67-5221(1), and 67-5220(2), Idaho Code, notice is hereby given that this agency has initiated proposed rulemaking procedures. The action is authorized pursuant to Section 54-204(1), Idaho Code.

PUBLIC HEARING SCHEDULE: Public hearing(s) concerning this rulemaking will be scheduled if requested in writing by twenty-five (25) persons, a political subdivision, or an agency, not later than September 19, 2018.

The hearing site(s) will be accessible to persons with disabilities. Requests for accommodation must be made not later than five (5) days prior to the hearing, to the agency address below.

DESCRIPTIVE SUMMARY: The following is a nontechnical explanation of the substance and purpose of the proposed rulemaking:

Rule 108: Rule will eliminate reference to the former paper-based exam which is no longer applicable. The rule will now focus only on the applicable computer-based exam.

Rule 304: Rule will allow the agency to utilize established substantial equivalency standards of other states as established by the National Association of State Boards of Accountancy, NASBA, to help make a more efficient and less challenging process for reciprocal license applicants. This will allow the agency to gather information from the Accountancy Licensing Database electronically instead of requiring a candidate to have another jurisdiction supply the information to Idaho on a paper based medium.

Rule 502: Rule will now allow licensees with a status of CPA-Retired or CPA-Inactive to provide volunteer accounting services that they were prohibited from doing in the past or as the current rule stands. Individuals in these status' will now be able to serve on Boards of non-profit organizations such as Homeowner Associations and assist citizens in the Volunteer Income Tax Assistance, VITA, program, for example.

FEE SUMMARY: The following is a specific description of the fee or charge imposed or increased:

This proposed rule change has no associated fee.

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars (\$10,000) during the fiscal year resulting from this rulemaking:

There is no negative fiscal impact or effect to the state general fund as a result of this rulemaking.

NEGOTIATED RULEMAKING: Pursuant to Section 67-5220(1), Idaho Code, negotiated rulemaking was conducted. The Notice of Intent to Promulgate Rules – Negotiated Rulemaking was published in the July 4, 2018 Idaho Administrative Bulletin, [Volume 18-7, pages 19 and 20](#).

INCORPORATION BY REFERENCE: Pursuant to Section 67-5229(2)(a), Idaho Code, the following is a brief synopsis of why the materials cited are being incorporated by reference into this rule: N/A

ASSISTANCE ON TECHNICAL QUESTIONS, SUBMISSION OF WRITTEN COMMENTS: For assistance on technical questions concerning the proposed rule, contact Kent A. Absec, Executive Director at (208) 334-2490.

Anyone may submit written comments regarding this proposed rulemaking. All written comments must be directed to the undersigned and must be delivered on or before September 26, 2018.

DATED this 27th day of July, 2018.

Kent A. Absec
Executive Director
Idaho State Board of Accountancy
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THE FOLLOWING IS THE PROPOSED TEXT OF DOCKET NO. 01-0101-1802
(Only Those Sections With Amendments Are Shown.)

108. RETAKE AND GRANTING OF CREDIT (RULE 108).

~~**01. Credit for Sections Prior to Computerization of the CPA Examination.** A candidate shall be required to pass all test sections of the CPA Examination in order to qualify for a CPA certificate and license. If, at a given sitting of the examination prior to the implementation of a computer-based CPA Examination, a candidate passes two (2) or more but not all sections, then the candidate shall be given conditional credit for those sections that the candidate has passed and need not sit for re-examination in those sections, provided that: (3-16-04)~~

~~**a.** The candidate wrote all sections of the examination for which the candidate does not have credit at that sitting; (3-16-04)~~

~~**b.** The candidate attained a minimum grade of fifty (50) on each section not passed at that sitting. However, if a candidate passes three (3) sections of the examination, the candidate shall be conditionally credited with the sections passed without regard to the grade in the remaining section; (3-16-04)~~

~~**c.** The candidate passes the remaining sections of the CPA Examination within six (6) consecutive administrations of the CPA Examination given after the one at which the first sections were passed; and (3-16-04)~~

~~**d.** At each subsequent sitting at which the candidate seeks to pass any additional sections, the candidate sits for all sections not yet passed. (3-16-04)~~

~~**02. Credit for Subjects After Computerization of the CPA Examination.** Upon implementation of a computer-based CPA Examination, a candidate may take the required test sections individually and in any order. Credit for any test section(s) passed shall be valid for eighteen (18) months from the actual date the candidate took that test section(s), without having to attain a minimum score on any failed test section(s) and without regard to whether the candidate has taken other test sections, provided that: (3-16-04)~~

~~**a.** Candidates must pass all four (4) test sections of the CPA Examination within a rolling eighteen-month period, which begins on the date that the first test section(s) passed is taken; (3-16-04)~~

~~**b.** Candidates cannot retake a failed test section(s) in the same examination window; and (3-16-04)~~

~~**c.** Candidates who do not pass all four (4) sections of the CPA Examination within the rolling eighteen-month period shall lose credit for any test section(s) passed outside the eighteen-month period and that test section(s) must be retaken. (3-16-04)~~

~~**03. Candidates with Conditional Credit Earned on the Paper-Based CPA Examination.** Candidates who have conditional credit on the paper-based CPA Examination as of the launch date of the computer-based CPA Examination are subject to the following transition requirements: (3-16-04)~~

~~**a.** Candidates will retain conditional credits from the paper-based sections for the corresponding~~

~~computer-based sections as follows; (3-16-04)~~

~~i. "Auditing" under paper-based corresponds to "Auditing and Attestation" under computer-based; (3-16-04)~~

~~ii. "Financial Accounting and Reporting" under paper-based corresponds to "Financial Accounting and Reporting" under computer-based; (3-16-04)~~

~~iii. "Accounting and Reporting" under paper-based corresponds to "Regulation" under computer-based; and (3-16-04)~~

~~iv. "Business Law and Professional Responsibilities" under paper-based corresponds to "Business Environment and Concepts" under computer-based. (3-16-04)~~

~~b. A candidate who attained conditional credit under the paper-based examination will be allowed a transition period to complete any remaining test sections. The transition period is the maximum number of opportunities that the candidate has remaining, at the launch of the computer based examination, to complete all remaining test sections, or three (3) years from the last day of the month conditional credit was attained, whichever is exhausted first. During the candidate's transition period, any computer-based test section passed is not subject to the credit granting provisions of Subsection 108.02. (3-16-04)~~

~~e. If a candidate who attained conditional credit under the paper-based examination does not pass all remaining test sections during the transition period, conditional credits earned under the paper based examination will expire and the candidate will lose credit for the test sections earned under the paper-based examination. When paper based credit is lost, any computer-based test section passed during the transition period becomes subject to the credit granting provisions of Subsection 108.02. (3-16-04)~~

042. Extending the Term of Credit. The Board may in particular cases extend the term of credit validity set forth in Subsections ~~108.02 and~~ 108.03¹ upon demonstration by the candidate that the credit was lost by reason of circumstances beyond the candidate's control. (3-16-04)()

(BREAK IN CONTINUITY OF SECTIONS)

304. RECIPROCAL LICENSURE (RULE 304).

If the practice privilege standard set out in Section 54-227, Idaho Code, is not applicable, the Board shall issue a license to an applicant provided that the applicant pays the application and licensure fees prescribed in Rule 701 and meets the one of the following: (4-2-03)

01. Interstate Reciprocity. The requirements for a reciprocal license under Section 54-210(2), Idaho Code; Notwithstanding anything to the contrary, an individual whose principal place of business is not in this state and who holds a valid license or permit with unrestricted practice privileges as a Certified Public Accountant from any state that the NASBA National Qualification Appraisal Service has verified to be in substantial equivalence with the CPA licensure requirements of the AICPA/NASBA Uniform Accountancy Act shall be presumed to have the qualifications substantially equivalent to this state's requirements. (4-2-03)()

02. Transfer of Grades. The requirements for transferring CPA Examination grades under Section 54-210(4), Idaho Code; or (4-2-03)

03. International Reciprocity. The requirements for foreign reciprocal licensure under Section 54-210(5), Idaho Code, provided that the Board shall rely on the International Qualifications Appraisal Board for evaluation of foreign credential equivalency. Such licensees shall report any investigations undertaken, or sanctions imposed, by a foreign credentialing body against the licensee's foreign credential. Suspension or revocation of, or refusal to renew, the licensee's foreign accounting credential by the foreign credentialing body, or conviction of a felony or any crime involving dishonesty or fraud under the laws of a foreign country may be evidence of conduct reflecting adversely upon the licensee's fitness to retain the license and may be a basis for Board action. The Board

shall notify the appropriate foreign credentialing authorities of any sanctions imposed against the licensee. The Board shall participate in joint investigations with foreign credentialing bodies and rely on evidence supplied by such bodies in disciplinary hearings. (4-2-03)

(BREAK IN CONTINUITY OF SECTIONS)

502. EXCEPTIONS, EXTENSIONS, AND EXEMPTIONS (RULE 502).

01. Exceptions and Extensions. The Board may make exceptions to the CPE requirements or grant extensions of time for completion of the CPE requirements, where reasons of health as certified by a medical doctor prevent compliance by the licensee, or other good cause exists. (4-2-03)

a. Licensees asking for exceptions or extensions under these conditions must apply annually on the reporting form for the year in which the extension or exemption is sought, and within the time period set for CPE reporting, stating the reasons for asking for such exception or extension. Any licensee failing to file a timely application shall be subject to the late fee prescribed in Rule 703, in addition to any additional proceeding that may be instituted for violation of these rules. (4-2-03)

b. A penalty of no more than fifty percent (50%) of the hours a licensee is short in meeting the calendar year CPE requirement may be assessed for extensions. In such cases, the licensee shall be required to complete the CPE hours and any assessed penalty no later than April 30. The penalty for non-compliance with ethics CPE is to obtain the mandatory hours of ethics CPE plus fifty percent (50%) penalty hours in ethics CPE prior to April 30. The penalty for non-compliance with state-specific ethics for Idaho is to complete the course plus fifty percent (50%) penalty hours in ethics CPE prior to April 30. (4-11-15)

02. Exemptions for Inactive or Retired. Licensees who elect inactive or retired status shall be exempt from any CPE requirements provided that: (3-20-04)

a. The licensees do not perform or offer to perform for the public services involving: (4-2-03)

i. The use of accounting or auditing skills including the issuance of reports on financial statements, or of management advisory, financial advisory or consulting services; or (4-2-03)

ii. The preparation of tax returns, or the furnishing of advice on tax matters as a licensee. Notwithstanding the foregoing, nothing in this section shall preclude a licensee who has elected inactive or retired status from providing the following volunteer, uncompensated services: tax preparation services, participating in a government-sponsored business mentoring program, serving on the board of directors for a nonprofit or governmental organization, or serving on a government-appointed advisory board. If the CPA provides the foregoing volunteer, uncompensated services, the CPA has a duty to ensure that they hold the professional competencies necessary to offer these services. (4-2-03)()

b. Licensees granted such exemption must place the word “inactive” adjacent to their CPA or LPA title on any business card, letterhead or any other document or device. The Board shall issue a wall certificate for public display that indicates the license is inactive; (4-2-03)

c. Those individuals who are inactive and have reached fifty-five (55) years of age may substitute the word “retired” for the word “inactive”; (3-29-10)

d. Licensees granted the exemption as either “inactive” or “retired” shall annually pay the license renewal fee as prescribed in Rule 701; and (4-2-03)

e. Licensees granted the exemption must comply with a return to active status competency requirement as set out in Rule 510 before they may discontinue use of the word “inactive” or “retired” in association with their CPA or LPA title. (4-2-03)