

2022 E & Y Seminar

Arkansas State Board Ethics: 2022 Board Update

December 6, 2022

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Complaint Statistics from 2000 through 2021

Part 1

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1. Failure to Renew	21%
2. Holding Out as a CPA/Acct	13%
3. Practice Review (PR/QR)	10.5%
4. Unregistered Firms	8%
5. Reinstatement of a license	7.7%
6. Failure to Respond	7.5%
7. Sanctions	6%
8. Allegations	6%
9. Inactive Status Violations	5%
10. CPE Violations	5%

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1. Failure to Renew (21%)

Hearing 33%

Revoked	98%
Reinstated	1%
Suspended	1%

Compliance Statement 22%

License reinstated	100%
Fees: Inactive	\$245
Active	\$360

Surrendered 18%

Consent Order 8%

License reinstated	100%
Fees: Inactive	\$745
Active	\$860

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Failure to Renew (continued)

By Year: 2012 – 2021 (77%) Average = 34

2012	29
2013	45
2014	45
2015	22
2016	53
2017	40
2018	15
2019	27
2020	27
2021	34

NOTE: These numbers reflect licensees that become a compliance issue.

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2. Holding Out (13%)

Type of Violation

Holding out as a CPA	81%
Holding out as an Accountant	19%

Type of Violator

Non-licensee	38%
Lapsed/Expired	25%
Out-of-state licensee	21%
Licensee	8%
(e.g., holding out employees, firm names)	
Revoked/Void/Surrendered	7%

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Holding Out (continued)

Closed w/Probable Cause, NFA 56%

Licensee 30%

Non-licensee 70%

Complied w Board request 86%

Compliance Statement 19%

Non-AR firm issuing audits 34% (\$500 plus licensure)

Lapsed issuing audits 36% (\$250 - \$1,000 + fees)

Lapsed advert. as a CPA 30% (\$100 - \$200 + fees)

Consent Order 11%

Lapsed issuing audits (\$250 - \$3,500 penalty + fees)

(more severe case or included additional violations (e.g., CPE, QR)

Closed – No Probable Cause 8%

Revoked/Surrendered 5%

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Examples

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Polling Question #1

What percentage of licensees lose their license if they allow their license to lapse?

- a) 35%
- b) 50%
- c) 60%
- d) 65%

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3. Practice Review (10.5%)

Consent Order 58%

QR Failures	38% (Add'l CPE, Pre-issuance, Limitation or penalty)
QR Violations	30% (Penalty, Pre-issuance or Limitation)
PR Violations	16% (\$1,000 - \$10,000 penalty)
PR Withdrawals	13% (Limitation)
PR Failures	3% (AICPA remediation)

Compliance Achieved 14%

Closed With Probable Cause NFA 9%

Complied with PR/QR requirements, Withdrew from Peer Review, Deceased, Retired and cleaning old files

Other 19%

Closed NPC (sold business, no violation)
 Compliance Statement (penalty, pre-issuance)
 Hearing (revocation, penalty)
 Surrendered, Retired, In Lieu, In process (5%)

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Examples

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4. *Unregistered Firms (8%)*

Closed with Probable Cause, NFA	42%
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Licensed firm timely, changed entity name or dissolved entity

Compliance Statement (\$110 - \$1,500 penalty)	33%
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Consent Order (\$1,000 - \$5,500 penalty)	15%
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Other	10%
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Closed – No Probable Cause (corrected business name & not holding out; no violation)

Hearing (penalty)

Surrendered, Surrendered-in-lieu

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Examples

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Polling Question #2

How often do I have to complete a Practice Review?

- a) annually
- b) every 3 years
- c) every 5 years
- d) only required when I issue a report

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5. Reinstatements (7¾%)

License Status

Void	41%
Revoked	30%
Surrendered	15%
Lapsed	12%

Result

Consent Order (fees with or w/o penalty)	78%
Compliance Statement (reinstated same year)	5%
With Probable Cause (reinstatement denied)	5%
No Probable Cause (did not complete process)	4.5%
In Process	4.5%
Hearing (reinstatement denied)	3%

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Examples

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6. Failure to Respond (7.5%)

Quality/Practice Review	66%
CPE Audit	34%

Compliance Statement 38%

Quality Review	67%	(\$500 penalty)
CPE Audit	26%	(\$100 - \$1,220 penalty)
Practice Review	7%	(\$250 - \$500 penalty)

Closed with Probable Cause NFA 27%

Resp'd before certified was sent: no FTR violation, but is a violation for not responding timely (PR – 50%; CPE – 30%; QR – 20%)

Other 17%

Surrendered-in-lieu	41%
Closed – NPC	41%
In process, Surr, Ret'd	18%

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Failure to Respond (continued)

Hearing 12%

Quality Review	48%
CPE Audit	43%
Practice Review	9%

Revoked	56% (did not appear at hearing)
Penalty assessed	44% (avg penalty = \$877)

Consent Order 6%

Quality/Practice Rvw	55% (\$500 plus limitation order)
CPE Audit	45% (\$500 - \$1,000 plus limitation)

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Examples

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Polling Question #3

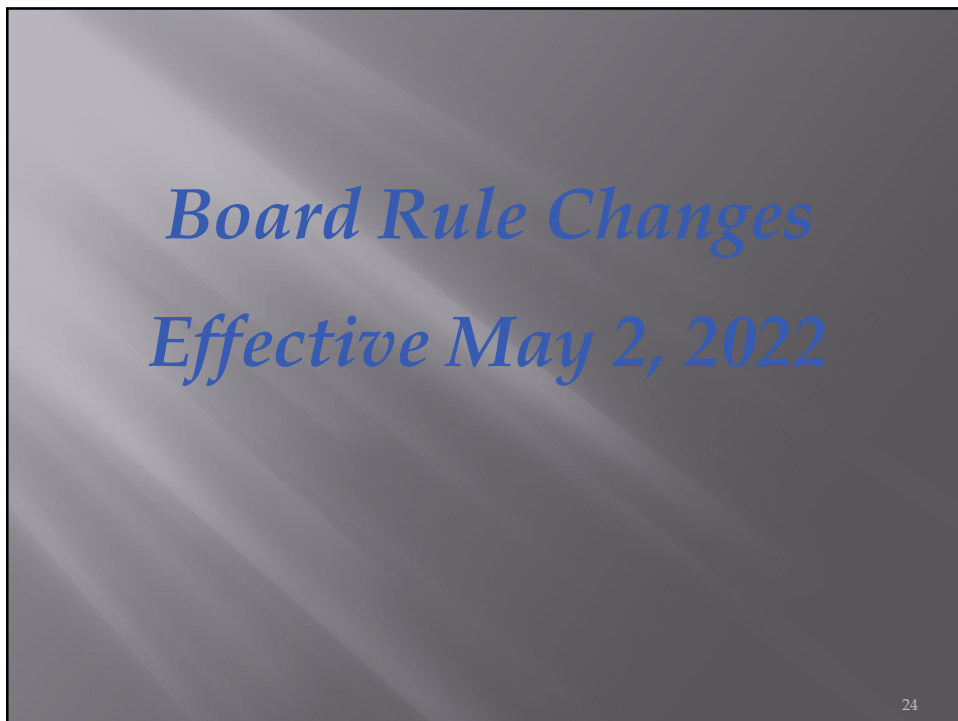
What are the top 3 compliance issues dealt with by Board investigators?

- a) Failure to Respond, Practice Review and Holding Out as a CPA
- b) Holding Out as a CPA, Failure to Renew and Practice Review
- c) Failure to Renew, Unregistered Firms and Holding Out as a CPA
- d) Failure to Renew, Holding Out as a CPA and Practice Review

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➤ **Board Rule 3 – Examinations**

- Rule 3.1(b) – Accredited Colleges & Universities
 - *Updates the names of the six (6) regional accrediting agencies.*
 - *Updates the location for the listing of accredited colleges and universities (now a website instead of publication).*

➤ **Board Rule 13 – Continuing Education**

- Rule 13.3(a)(2) – Programs Which Qualify
 - *Changes the requirement for the 1st hour of CPE from 1 hour to one-half hour (25 minutes).*
 - *Clarifies that, except for nano-learning CPE credits, all CPE courses must be earned in one-half hour (25 minutes) increments. All other increments will be rounded down (e.g., 3.4 CPE hours = 3 CPE hours).*

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➤ **Board Rule 12 – Fees**

- Codifies subsections.
- Adds Rule 12.5 – Waiver of Initial Licensing Fees.
 - *Pursuant to Act 725 of 2021, an applicant may receive a waiver of the initial licensure fee, if eligible.*
 - *receiving assistance through the Arkansas Medicaid program, SNAP, SSNP, TEA or LAP programs,*
 - *approved for unemployment benefits within the last twelve (12) months, or*
 - *income does not exceed two hundred percent (200%) of the federal poverty income guidelines.*
 - **Required documentation includes:**
 - *Arkansas DHS or DWS documentation*
 - *Affidavit confirming income (may be required to submit tax related documents (W-2, 1099, etc.))*

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➤ ***Board Rule 19 – Licensure for Uniformed Service Members, Uniformed Service Veterans, and Spouses***

- Adds definitions section (19.1(a) and (b)).
 - *Uniformed service member means.*
 - *An active or reserve component member of the United States Air Force, United States Army, Coast Guard, Marine Corps, Navy, Space Force, or the National Guard;*
 - *An active component member of the National Oceanic and Atmospheric Administration Commissioned Officer Corps; or*
 - *An active or reserve component member of the United States Commissioned Corps of the Public Health Service.*
 - *Uniformed service veteran means a former member of the United States uniformed services discharged under conditions other than dishonorable.*

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➤ ***Board Rule 19 – Licensure for Service Members, Veterans, and Spouses***

- Adds additional spouse opportunities (19.2(a)(3)).
- Adds requirements section for expedited licensure (19.2(b)):
 - *payment of applicable fees;*
 - *application showing the applicant meets the licensure requirements described in ACA § 17-12-301; and*
 - *evidence that the applicant is a qualified applicant under Rule 19.2(a).*

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- ***Board Rule 19 – Licensure for Service Members, Veterans, and Spouses***
 - Clarifies temporary licensure (19.3)
 - *temporary license will be issued immediately upon receipt of the application and documentation required in 19.2(b)*
 - *temporary license shall be effective for 90 days or until the Board determines whether the application meets the requirements described in ACA § 17-12-301 and ACA § 17-12-303.*
 - Clarifies CPE exemption
 - *A full or partial exemption from continuing professional education requirements will be given for a deployed uniform service member or spouse until one hundred (180) days following the date of the uniformed service member's or spouse's return from deployment.*

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Board Rule 14 (Quality Review) and Board Rule 20 (Peer Review)

- Practice Review performed on licensees every 3 years.
- **Must submit latest compilation report(s) (with disclosures and without disclosures) for Quality Review.**
- Participation in Peer Review program exempts licensee from Quality Review process but not from Practice Review.
- Practice Review surveys must be completed for both individual CPA licensee and firm registration.

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Polling Question #4

Which of the following might trigger a CPE Audit?

- a) Renewing online after January 1st
- b) Reporting all of my CPE on one line
- c) Recording Regulatory Ethics as Arkansas Ethics
- d) All of the above

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Investigation Difficulties

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Polling Question #5

When must I report change of contact information to the Board?

- a) It is not required
- b) Before I renew my license
- c) Within 30 days
- d) Within 60 days

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Questions???

Board staff members are always available to answer any questions about this course or any accountancy statutes or Board rules.

www.arkansas.gov/asbpa

tim.montgomery@arkansas.gov

*The Board is here to help every
Arkansas CPA licensee*

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7. Sanctions (6%)

Other State Consent Order	32%
CAFA	16%
SEC	15%
DWI/DUI	9%
Partner Misconduct	4%
Felony/Misdemeanor	4%
AICPA	3%
PCAOB	3%
DOL/DOJ	3%
Lawsuit	3%
Other	8%

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Sanctions (continued)

Closed - WPC	56%
Closed - NPC	36%
Consent Order/CS/Hearing	6%
\$250 - \$8,000 penalty	
In Process	2%

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8. Allegations (6%)

Conduct Discreditable	27%
Negligence	14%
Fraud	10%
Taxes	9%
Billing	4%
Standards	4%
Other	17%
Undefined	15%

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Allegations (continued)

Closed - NPC	67%
Closed - WPC	21%
Consent Order/CS	8%
\$250 - \$10,000 penalty	
In Process	2%
Surrendered	2%

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9. Inactive Status Violations (5%)

Compliance Statement	38%
Closed With Probable Cause	17%
Closed No Probable Cause	16%
Surrendered / Surrender-in-lieu	9%
Compliance Achieved	9%
Consent Order	6%
In Process	5%

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Inactive Status Violations (continued)

Working in Public Accounting	35%
\$100 - \$600 penalty	
Holding Out	24%
\$100 - \$500 penalty	
Performing Services	22%
\$100 - \$2,100 penalty	
Holds PTIN	19%
\$250 penalty	

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10. CPE (4.75%)

CPE Violation		47%
Compliance Stmt	39%	(\$320; inaccurate reptg)
Consent Order	20%	(\$1,264; false reporting)
Close NPC	20%	(waivers granted)
Hearing	7%	(\$3K; false reporting plus)
CPE Audit Failure		33%
Revoked	31%	(\$100 - \$1,100 penalty)
Hearing	19%	(Revoked, Suspended, Limitation)
Consent Order	13%	(\$1,000 - \$1,500 penalty)
Surrendered-in-lieu	13%	
CPE Audit Violation		20%
Hearing	37%	(Revoked or 2K – 20K penalty)
Surrendered-in-lieu	21%	
Compliance Statement	21%	(\$510 avg penalty)
Consent Order	11%	(\$1,500 - \$3,000 penalty)

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11. Rule/Law Violations (4.5%)

Other (6%)

Violated Board Order	1.9%
Holding records	1.8%
Miscellaneous	0.7%
Conduct Rule violation	0.5%
Assoc w unregistered firm	0.5%
Misleading Name/ Adv.	0.3%
Branch Office violation	0.2%

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