

**Exhibit Number: 3**

**The following exhibit is several assorted documents that exceeds the 10-page limit therefore it cannot be scanned. A small portion has been scanned to aid in your research for information. The exhibit is on file at the Montana Historical Society and can be viewed there.**

# The Roles of

## The Board of Public Accountants

VS

## The Montana Society of CPAs

The Montana Society of CPAs and the State Board of Public Accountants have very distinct, different roles within the accounting profession. Sometimes however, the lines get blurred and it's hard to know which one to call. The role of each organization is outlined below to help clarify who does what. But as always, the MSCPA is always happy to help any of its members any way we can.

### **The Role of the State Board=Protect the Interests of *the Public***

- Administer and enforce the law governing public accountants
- Grant and renew individual certificates and permits to practice
- Set CPE requirements
- Monitor compliance with CPE requirements
- Take appropriate administrative actions to regulate licensees
- Adopt rules governing the conduct of licensees

### **The Role of the MSCPA=Protect the Interests of *Our Members***

- Serve the common needs of its members
- Enhance the professional environment in which members work
- Supply the necessary support to improve members' competency and professionalism
- Advocate members' causes in the government arena
- Promote members' services to the public
- Sell the AICPA Self-Study Ethics Exam to recent CPA exam passers



## SB 278 Questions & Answers

**Q. If there are people currently not licensed how do you catch them for disciplinary purposes?**

**A.** They are caught and disciplined if/when a complaint is filed against them. However, most CPAs who are practicing across state lines are not aware that they are required to be licensed if they are:

*performing or offering to perform by a person certified under 37-50-302 or licensed under 37-50-303, for a client or potential client, one or more types of services involving the use of accounting or auditing skills, including:*

- (a) the issuance of reports or financial statements on which the public may rely;*
- (b) one or more types of management advisory or consulting services;*
- (c) the preparation of tax returns; or*
- (d) furnishing advice on tax matters.*

Many CPAs innocently break this law by doing tax returns not only for clients but for friends and/or family members in other states. They are not intentionally in violation they simply don't realize how the law reads. SB 278 creates an opportunity to educate CPAs on this law.

**Q. Does licensing a CPA provide consumer protection?**

**A.** Yes. Once CPAs are educated that they must be licensed to perform the services mentioned above the public will be better protected by the laws that allow the State Board to take disciplinary action.

**Q. How long has the Uniform Accountancy Act (UAA) been in existence?**

**A.** A model bill to regulate the practice of public accountancy was first published in 1916 by the American Institute of Accountants, the predecessor of the American Institute of CPAs (AICPA), the national membership organization of certified public accountants. In 1984, the AICPA and the National Association of State Boards of Accountancy (NASBA) published the first joint model bill, later renamed the Uniform Accountancy Act (UAA). Ultimately, a substantial majority of the state accountancy laws followed, in their principal provisions, the example provided by earlier model accountancy bills and the Uniform Act.

**Q. Doesn't the Uniform Accountancy Act (UAA) allow CPAs to practice in other states as long as they are licensed in their own state?**

**A.** No. The UAA is a model act but each state must enact their own legislation to allow for the process.

**Q. Since you don't have to be licensed to do taxes and the UAA doesn't allow you to practice across state lines what have we been doing for the past 30 years?**

**A.** You do not have to be licensed to prepare tax returns but you must be licensed to be called a Certified Public Accountant. Many CPAs innocently break this law

the current process many choose not to obtain a Montana license and the consumer has lost the opportunity to use the service provider of their choice.

**Q. How do you know if the CPAs coming to Montana to do business are legitimate?**

**A. Under SB 278 they would have to be substantially equivalent to the same requirements demanded of resident Montana CPAs.**

**Q. Could you assume that you would be able to go to these other states and NOT get licensed?**

**A. No. Because licensees in Montana must have met the three E's; 150 hours of education; Uniform CPA Exam and one year of experience they are considered substantially equivalent. Therefore they could easily obtain a permit in any of the jurisdictions listed below in much the same manner as proposed by SB 278.**

- |                 |                  |
|-----------------|------------------|
| ✓ Arkansas      | ✓ North Carolina |
| ✓ Guam          | ✓ North Dakota   |
| ✓ Idaho         | ✓ Ohio           |
| ✓ Illinois      | ✓ Oklahoma       |
| ✓ Indiana       | ✓ Oregon         |
| ✓ Kansas        | ✓ Rhode Island   |
| ✓ Kentucky      | ✓ South Dakota   |
| ✓ Louisiana     | ✓ Tennessee      |
| ✓ Maine         | ✓ Texas          |
| ✓ Minnesota     | ✓ Virginia       |
| ✓ Missouri      | ✓ Washington     |
| ✓ New Hampshire | ✓ West Virginia  |
| ✓ New Mexico    |                  |

**States similar legislation pending:**

- ✓ California
- ✓ Maryland
- ✓ Michigan
- ✓ Montana
- ✓ New Jersey
- ✓ New York
- ✓ Pennsylvania
- ✓ Wyoming

**Q. Wouldn't the CPA's home state discipline them if there was a complaint?**

**A. Yes. But a complaint from another state is not likely to be considered a priority. Under SB 278 Montana's State Board of Accountancy would have disciplinary rights but the home state of the CPA in question would be involved in the process.**

# DEFINITIONS OF THE PRACTICE OF PUBLIC ACCOUNTING

(36 of the 54 jurisdictions clearly include tax preparation in the definition of practice of public accounting)

## Alabama

The law provides that no person may practice in Alabama as a Certified Public Accountant or is a Public Accountant unless such person shall be the holder of an annual permit or temporary annual permit, in full force and effect, issued by the Alabama State Board of Public Accountancy.

Reg. 30-X-1-.01 Definitions. (f) Practice of Public Accounting. The practice of Public Accounting or the practice of Public Accountancy is:

1. Performing services as one skilled in the knowledge and practice of Public Accounting; or
2. Auditing or examining financial statements and issuing a report expressing or disclaiming an opinion on such statements; or
3. Reviewing financial statements and issuing a report expressing assurance on such statements.

## Alaska

Reg. 04.990. DEFINITIONS.

(7) "practice of public accounting" means the offering to perform or the performance by a person holding a certified public accountant certificate or a public accountant license or a firm registered with the board, for a client or potential client, of a service involving the use of accounting or auditing skills; accounting or auditing skills include preparing financial statements, issuing reports on financial statements, furnishing of management financial advisory, or consulting services, preparing tax returns, or advising or consulting on tax matters;

## Arizona

§ 32-701. Definitions 10. "Practice of accounting" means providing any accounting services, including recording and summarizing financial transactions, analyzing and verifying financial information, examining, reviewing and reporting on financial statements, reporting financial results to an employer, clients or other parties and rendering attestation, tax and management advisory services to an employer, clients or other parties.

Rule 4-1-101. Definitions 15. "Practice of accounting" means providing any accounting services, including recording and summarizing financial transactions, analyzing and verifying financial statements, reporting financial results to an employer, clients or other parties and rendering attestation, tax and management advisory services to an employer, clients or other parties. A.R.S. § 32-701(10).

## Arkansas

17-12-103. Definitions.

(11) "Practice of public accounting" means the performance of attest services as defined in this section, or the performance of professional services while using the title or designation certified public accountant, public accountant, CPA, PA, accountant, or auditor;

(12) "Professional services" means services arising out of or related to the specialized knowledge or skills performed by certified public accountants or public accountants;

## California

BUSINESS AND PROFESSIONS CODE SECTION 5050-5058.1

5050. (a) No person shall engage in the practice of public accountancy in this state unless the person is the holder of a valid permit to practice public accountancy issued by the board or a holder of a practice privilege pursuant to Article 5.1 (commencing with Section 5096).

5051. Except as provided in Sections 5052 and 5053, a person shall be deemed to be engaged in the practice of public accountancy within the meaning and intent of this chapter if he or she does any of the following:

(a) Holds himself or herself out to the public in any manner as one skilled in the knowledge, science, and practice of accounting, and as qualified and ready to render professional service therein as a public accountant for compensation.

(b) Maintains an office for the transaction of business as a public accountant.