STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
RHODE ISLAND BOARD OF ACCOUNTANCY
JOHN O. PASTORE CENTER
BUILDING 68-1
1511 PONTIAC AVENUE
CRANSTON, RI 02920

NOTICE OF PROPOSED REGULATION AND NOTICE OF PUBLIC HEARING

Notice is hereby given, in accordance with R.I. Gen. Laws §§ 5-3.1-1 *et seq.*, 5-3.1-4(f) and 42-35-3, that the Rhode Island Board of Accountancy ("RIBOA") proposes to amend the following permanent Regulation:

RIBOA REGULATION 2008-1: REGULATION CONCERNING CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS OF CERTIFIED PUBLIC ACCOUNTANTS AND PUBLIC ACCOUNTANTS

The purpose of this regulation is to establish uniform continuing education requirements for Certified Public Accountants (CPA) and Public Accountants (PA) in Rhode Island to promote competence within the profession. The Board specifically endorses the Statement on Standards for Continuing Professional Education Programs promulgated jointly by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy. The actions and information required by this regulation are hereby declared to be necessary and appropriate to the public interest.

This proposed regulation is intended to be permanent. Notice is also hereby given, in accordance with R.I. Gen. Laws § 42-35-2, that the RIBOA will hold a public hearing beginning at 1:00 p.m. on October 21, 2008 in Hearing Room 69-1of the Department of Business Regulation, located in Building 69 in the John O. Pastore Center, 1511 Pontiac Avenue, Cranston, RI 02920 regarding the Proposed Regulation.

Copies of the Proposed Regulation are on file at the Department and copies may be obtained from the Legal Division, Department of Business Regulation, Building 68-1 in the John O. Pastore Center, 1511 Pontiac Avenue, Cranston, RI 02920 during normal working hours on regular business days or by mail upon request. The Proposed Regulation may also be obtained from the Department's website www.dbr.state.ri.us.

In the development of the Proposed Regulation, consideration was given to overlapping approaches, overlap and duplication with other statutory and regulatory provisions, and economic impact on small business and cities and towns.

All interested persons may submit their view, data or arguments regarding the Proposed Regulation, including information relating to alternative approaches, duplication or overlap with other state rules or regulations, and the economic impact of the Regulation on small business and/or cities and towns, orally at the public hearing or in writing, either by delivering the same in person or United States mail with postage pre-paid thereon to the Department of Business Regulation, Building 68-1 in the John O. Pastore Center, 1511 Pontiac Avenue, Cranston, RI 02920 to: Richard W. Berstein, Esq.., Hearing Officer.

ALL WRITTEN SUBMISSION MUST BE RECEIVED NO LATER THAN October 21, 2008 AT 1:00 p.m.

The hearing room is accessible to the handicapped. Individuals requesting interpreter services for the hearing impaired must notify the Office of Legal Counsel at (401) 462-9549 or TTY 711 not less than ninety-six (96) hours in advance of the hearing date.

John Mathias, Chairman
Rhode Island Board of Accountancy

~~State of Rhode Island and Providence Plantations~~
~~RHODE ISLAND BOARD OF ACCOUNTANCY~~
~~233 Richmond Street~~
~~Providence, RI 02903~~

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RIBOA REGULATION 2008-1

REGULATIONS ~~OF THE RHODE ISLAND BOARD OF ACCOUNTANCY~~ CONCERNING CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS OF CERTIFIED PUBLIC ACCOUNTANTS AND PUBLIC ACCOUNTANTS

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ARTICLE I

1.0 INTRODUCTION, PURPOSE, FINDING

1.1 Introduction. These regulations ("Regulations") are promulgated pursuant to R.I. Gen. Laws § 5-3.1-1 et seq. Section 5-3.1-4(f)(4) of the Rhode Island General Laws authorizes the Board of Accountancy to promulgate rules and regulations establishing requirements of continuing professional education (CPE) to promote the professional competence of holders of permits to practice. Section 5-3.1-7 of the Rhode Island General Laws requires any person seeking a renewal permit to continue to engage in the practice of public accountancy in Rhode Island to satisfy the CPE regulations promulgated by the Board.

1.2 Purpose. The purpose of these Regulations is to establish uniform continuing education requirements for Certified Public Accountants (CPA) and Public Accountants (PA) in Rhode Island to promote competence within the profession. The Board specifically endorses the Statement on Standards for Continuing Professional Education Programs promulgated jointly by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy.

1.3 Finding. In considering the adoption of these regulations, the Board of Accountancy finds that such action would not have a significant adverse impact on small business and that there is no alternative approach which would be as effective and less burdensome to private persons as another regulation.

ARTICLE II

2.0 PERMIT RENEWAL AND REINSTATEMENT

2.1 Every CPA or PA licensed by the Board ("licensee") to engage in the practice of public accounting shall maintain a current permit to practice. Commencing in 2008, permits to practice public accountancy will be issued for a three year period.

A. Permit Renewal. As a condition precedent to being issued a renewal permit to practice, a licensee shall improve his or her professional competence through a formal CPE program by having completed not less than one hundred twenty (120) hours or fifteen (15) days of formal CPE during the preceding three (3) year period. Licensees shall not be required to complete CPE in the calendar year in which they receive their certificate from the Board.

B. Permit Reinstatement. Candidates who seek reinstatement after an inactive period will be required to pay a reinstatement fee of Five Hundred Dollars ($500). In addition, reinstatement candidates who have been inactive for five (5) years or more shall be required to:

(i) Document completion of not less than one hundred twenty (120) hours of CPE credits during the preceding three (3) year period as well as completion of a CPA exam review course in a classroom setting approved by the board with attendance documented; or, in the alternative,

(ii) Document completion of not less than two hundred forty (240) hours of CPE credits during the preceding three (3) year period. In the event the reinstatement candidate pursues this alternative, the specific hour limitations and requirements set forth herein for accounting and auditing, ethics, self-study, teaching and publication and personal development and marketing shall be doubled.

2.2 To achieve compliance with the CPE permit requirement, the following guidelines shall apply.

A. The three (3) year CPE term shall commence on January 1 of the year in which a licensee's permit was last issued or renewed and end on December 31 three (3) years thereafter. The three (3) year CPE term for new licensees shall commence on January 1 of the year following the year in which the licensee received his or her certificate. A CPE day will consist of eight (8) hours of formal instruction. An instruction hour will consist of fifty (50) minutes and a half hour will consist of twenty five (25) minutes. However, for continuous conferences and conventions, when individual segments are less than (25) twenty-five minutes, the sum of the segments may be considered one total program.

B. Only time in actual attendance in the CPE session will be counted. The time needed to prepare or review the subject matter will not be counted.

C. The time required by a lecturer or CPE session moderator for both preparation and presentation will be counted, if it enhances his or her professional competence as a practicing accountant. However, credit for such preparation shall not exceed two (2) hours for each hour of presentation. Credit for such preparation and teaching shall not exceed sixty (60) CPE hours for that three (3) year reporting period. Repeated presentations of the same subject matter will not be recognized for CPE credit. A qualified instructor or discussion leader shall have the background, training,

education or experience to make it appropriate for that person to lead a discussion on the subject matter.

D. Credit may be allowed for published books and articles provided they contribute to the professional competence of the licensee. Credit for preparation of such publications shall not exceed sixty (60) CPE hours for that three year reporting period.

E. The Board of Accountancy may in its discretion, on an individual basis, make exceptions for the required CPE time for reasons of health, military service, foreign residence, retirement or for such other reasons as the Board may determine reasonable.

F. Programs which qualify for CPE credit hours:

(i) Educational instruction or training in the subjects listed in Article III of this regulation will qualify for CPE if the instruction is a formal program of learning that contributes directly to the professional competence of a CPA or PA after he or she has been issued a permit to practice public accounting. In order to qualify for CPE credit hours the program must be primarily directed to enhancing the professional competence of accountants or like professionals.

(ii) Formal programs requiring session attendance will qualify if:

(a) An outline is prepared in advance and kept on file.

(b) The program will be for a duration of at least one hour (50 minutes).

(c) The session is conducted under the leadership of a qualified lecturer or moderator.

(d) A record of attendance is made and kept on file.

(iii) The following are examples of the type of programs that will qualify:

(a) Professional development programs sponsored by recognized national and state professional accounting organizations.

(b) Technical sessions at meetings of recognized national and state professional accounting organizations.

(c) University or college courses which enhance the professional competency of the accounting profession.

(d) Formal organized in-house educational programs.

(e) Formal correspondence or other individual self study programs which provide evidence of satisfactory completion.

(f) Formal programs of other organizations that relate to the practice of public accounting.

(g) The Board of Accountancy may consult with national and state professional organizations, universities and colleges and others in determining the acceptability of the subject matter of courses and sessions and their eligibility for credit.

G. The Board may, in its discretion, allow credit for interactive self-study programs. In determining the amount of credit to be awarded the Board will consider, but not be bound by, the recommendation of the sponsoring organization; provided, however, the maximum credit for such self-study programs shall not exceed eighty (80) CPE hours for that three year reporting period. The licensee shall be required to obtain and present to the Board evidence of satisfactory completion of the course from the program sponsor. Credit will be awarded in the calendar year in which the course is completed.

H. CPE credits shall be deemed to be earned on the date the course was taken, not the date the licensee received a certificate of attendance. For good cause shown, the

Board may permit a licensee to apply CPE credits retroactively provided the licensee pay a processing fee of Two Hundred Fifty Dollars ($250).

I. Every licensee shall be responsible for maintaining documentation of compliance with these regulations; including proof of attendance for all courses. Such documentation shall be retained by the licensee for a period of four (4) years. Every licensee shall submit to the Board a signed statement of his or her CPE hours for the preceding three (3) year period on or before the 15th day of February of the year the licensee's permit is scheduled to expire. The statement will include the following information:
   (i) Sponsoring organization.
   (ii) Location of session.
   (iii) Title and description of the subject matter.
   (iv) Dates attended.
   (v) Number of hours claimed.

J. The Board of Accountancy may establish an advisory committee to aid it in administering the CPE program.

ARTICLE III

3.0 CONTINUING PROFESSIONAL EDUCATION SUBJECT AREAS

3.1 Educational programs or instruction in the following subject areas will qualify for CPE hours:

A. Accounting and Auditing (accounting, governmental accounting, auditing, and governmental auditing);

B. Technical Business Subjects, which includes:
   (i) Consulting Services (administrative practice and the social environment of business);
   (ii) Management (business law, finance, management advisory services);
   (iii) Specialized Knowledge and Applications (computer science, economics, mathematics, production, specialized knowledge and applications and statistics); and
   (iv) Taxes.

C. Personal Development and Marketing (communications, business management and organization, personal development, personnel/human resources and marketing); and

D. Ethics (behavioral ethics and regulatory ethics).

3.2 Not less than twenty-four (24) hours of the one hundred twenty (120) hours required hereunder shall be devoted to accounting and auditing in the following subject areas: (A) accounting; (B) governmental accounting; (C) auditing; and (D) governmental auditing.

A. Accounting subjects or courses shall include courses relating to financial accounting instruction relating to the authoritative literature in generally accepted accounting principles in the United States and its international trading partners and the pronouncements of the Accounting Principles Board and its successor agencies and the Financial Accounting Standards Board and its successor agencies; accounting research, planning and supervision; accounting for small businesses, specialized industries and commerce; forensic accounting; financial statement preparation; review and compilation of financial statements and reports, SEC reporting requirements, and preparing and reporting on Other

Comprehensive Basis of Accounting (OCBOA) financial statements.

B. Governmental Accounting shall include courses relating to Governmental Accounting Standards Board (GASB) standards of state and local governmental accounting and financial reporting, statements, concepts, and interpretations; Government Accounting and Reporting (Specialized); and Forensic Accounting.

C. Auditing subjects or courses shall include courses relating to auditing research; general auditing theory and practice; auditing and electronic data processing (EDP); substantive audit procedures; independent auditors' reports; study and evaluation of internal control; and forensic auditing. Auditing subjects shall also include courses relating to generally accepted auditing standards in the United States and its international trading partners, including compliance with auditing standards by any authoritative organization issuing auditing standards, including, but not limited to, the American Institute of Certified Public Accountants, the General Accounting Office, the Comptroller General and the Public Companies Accounting Oversight Board.

D. Governmental Auditing courses shall include subjects relating to GASB standards of state and local governmental accounting and financial reporting, statements, concepts, and interpretations as well as forensic auditing. Governmental auditing course shall also include courses relating to generally accepted auditing standards in state and local governments, the United States and its international trading partners; and compliance with auditing standards by any authoritative organization issuing auditing standards, such as the American Institute of Certified Public Accountants (AICPA), the General Accounting Office (GAO), and the Comptroller General.

3.3. Not more than twenty-four (24) hours of the one hundred twenty (120) hours required hereunder shall be devoted to Personal Development and Marketing in the following subject areas (A) communications; (B) business management and organization (C) personal development; (D) personnel and/or human resources; and (E) marketing.

A. Communications shall include courses relating to interview techniques, business writing, business presentations, group dynamics, public relations, group process management and counseling.

B. Business Management and Organization shall include courses relating to the organization and administration of a public accounting practice, management advisory systems (MAS) practice management, management information systems in industry, state and local governments and management planning in industry.

C. Personal development shall include courses relating to principle-centered leadership, career planning and time-management.

D. Personnel and/or human resources shall include courses relating to human resources management in public accounting practice, industry and government.

E. Marketing shall include courses relating to the examination of market analysis methods and their use to develop an organization's product/service mix and the integration of the communication, distribution and pricing strategies to achieve goals including marketing professional services, customer communications and e-business practices.

3.4 Technical business subjects shall include the following subject areas:

A. Consulting Services:

(i) Administrative Practice shall include courses relating to MAS practice

skills, MAS engagement management, planning and control systems (human resources development and organization) and personal financial planning.

(ii) The Social Environment of Business shall include courses relating to planning and control systems: manufacturing, marketing, research and development, finance and management information systems, and other management advisory systems.

B. Management:

(i) Business Law shall include courses relating the legal system with special emphasis upon its relationship to business and the practice of accounting, such as employment law, asset protection, business law for accountants, tax management, collection law, critical legal and tax issues for accountants and legal environment of business.

(ii) Finance shall include courses relating to specific financial management of an organization including budgeting, asset management, cost analysis, financial management in government, the purchase and sale of a business, and contracting for goods and services in industry.

(iii) Management Advisory Services shall include courses focusing on key processes, achieving efficiencies, improving cash flow and maintaining profitability including academic practice management, advanced cash and treasury management, activity-based costing, applied project management, risk management and performance management.

C. Specialized Knowledge and Applications:

(i) Computer Science shall consist of courses relating to networks, communications, the internet, computer hardware, system software, application software involving web browsers, word processing, spreadsheets, database management systems and presentation software.

(ii) Economics shall include courses relating to the principles of pricing, stabilization, supply and demand, employment theory, fiscal policy banking systems, monetary policy, economic growth and fundamentals of the economy; including microeconomics, macroeconomics, money and banking, and public finance,

(iii) Mathematics shall include courses relating to the fundamental concepts of mathematical problem-solving including algebra, geometry and calculus.

(iv) Production shall include courses relating to production scheduling, inventory control, standards for pay and production and quality control including operations management, inventory management and supply operations.

(v) Specialized Knowledge and Applications shall include courses relating to a concentrated specialized skill set and specialized industries, such as not-for-profit organizations, health care, and oil and gas; including courses relating to advanced energy options on futures, HIPAA contracts, beginning access, beginning excel, forensic accounting/auditing and business evaluation.

(vi) Statistics shall include courses relating to multivariate probability distributions, estimation of parameters, hypothesis testing, linear models, analysis of variance, analysis of enumerative data and nonparametric statistics including business statistics, quantitative analysis and probability.

D. Taxes shall include courses relating to compliance and tax planning. Compliance covers tax return preparation and review and IRS examinations,

ruling requests and protests. Tax planning focuses on applying tax rules to prospective transactions and understanding the tax implications of unusual or complex transactions including but not limited to: tax research, tax accounting, individual income taxation, partnership taxation, corporate income taxation, corporate tax consideration in industry, tax-exempt organizations, estate and trust taxation, compensation considerations for taxation, real estate taxation, international taxation, state and local taxes, tax practice management and procedures, computers in the tax practice, general taxation and special tax matters.

3.5 Not less than six (6) hours of the one hundred twenty (120) hours required hereunder shall be devoted to regulatory ethics and behavioral ethics. Ethics shall include courses relating to the necessary ethical background knowledge required to adhere to rules and regulations of state licensing bodies, other governmental entities, membership associations and other professional organizations or bodies.

A. Subjects devoted to regulatory ethics will include programs devoted to the AICPA Code of Professional Conduct, including opinions issued there under, as well as programs relating to the legal, professional or ethical codes of any authoritative organization or accounting professional specialty organization. The following additional subjects will also be considered within the field of regulatory ethics: public interest and responsibilities, licenses and renewals, SEC oversight, competence – discreditable act, advertising and other form of solicitation, independence, integrity and objectivity, confidential client information, contingent fees, commissions and other considerations, conflict of interest, discreditable acts, full disclosure, malpractice and record retention.

B. Behavioral ethics shall include courses relating to general professional ethics including ethics and professional conduct, ethical practice in business, personal ethics, ethical decision-making and corporate ethics.

C. In promulgating this requirement, it is the hope and intention of the Board that sponsoring organizations will incorporate a professional ethics component into accounting, auditing and technical business programs. The sponsoring organization should specify the hour or one-half hour value of the ethics content of such programs.

ARTICLE IV

4.0 ADOPTION

4.1 These regulations are promulgated and adopted in accordance with sections 5-3.1-4(f)(4), 5-3.1-7(c) and 42-35-4 of the general laws.

4.2 These regulations shall take effect twenty (20) days after filing with the Secretary of State in accordance with section 42-35-4(b) of the General Laws and shall apply to all continuing professional education undertaken on and after January 1, 2008. The permit reinstatement requirements set forth in Section 2(B) herein shall take effect on December 31, 2008.

4.3 These regulations supersede all prior regulations of the Board on this subject.

4.4 If any section, term or provision of this Regulation should be adjudged invalid for any reason, that judgment should not effect, impair or invalidate any remaining section, term or provision, which shall remain in full force and effect.

Adopted: November ____, 2008

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CONCISE EXPLANATORY STATEMENT

RIBOA REGULATION 2008-1

REGULATION CONCERNING CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS OF CERTIFIED PUBLIC ACCOUNTANTS AND PUBLIC ACCOUNTANTS

The Rhode Island Board of Accountancy ("RIBOA") hereby proposes to adopt RIBOA Regulation 2008-1 entitled *Regulation Concerning Continued Professional Education Requirements of Certified Public Accountants and Public Accountants* ("Proposed Regulation") and makes this statement in accordance with R.I. Gen. Laws § 42-35-2.3. The purpose of this Proposed Regulation is to establish uniform continuing education requirements for Certified Public Accountants (CPA) and Public Accountants (PA) in Rhode Island to promote competence within the profession. The RIBOA specifically endorses the Statement on Standards for Continuing Professional Education Programs promulgated jointly by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy.

This Proposed Regulation is promulgated pursuant to R.I. Gen. Laws § 5-3.1-1 et seq. R.I. Gen. Laws § 5-3.1-4(f)(4) authorizes the Board of Accountancy to promulgate rules and regulations establishing requirements of continuing professional education (CPE) to promote the professional competence of holders of permits to practice. R.I. Gen. Laws § 5-3.1-7 requires any person seeking a renewal permit to continue to engage in the practice of public accountancy in Rhode Island to satisfy the CPE regulations promulgated by the Board.

The CPE requirements were part of the *Regulations of the Rhode Island Board of Accountancy Concerning Professional Conduct of Certified Public Accountants And Public Accountants* initially adopted on December 1, 1974, and amended at various times thereafter, including the most recent amendment on January 16, 2006. The *Regulations of the Rhode Island Board of Accountancy Concerning Professional Conduct of Certified Public Accountants And Public Accountants* is also being amended contemporaneously with the Proposed Regulation to delete the CPE requirements from that regulation and establish the CPE requirements in this separate Proposed Regulation.