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 2008-2: REGULATION OF THE RHODE ISLAND BOARD OF ACCOUNTANCY CONCERNING PROFESSIONAL CONDUCT OF CERTIFIED PUBLIC ACCOUNTANTS AND PUBLIC ACCOUNTANTS

The purpose of the amendment to this regulation is to delete all sections pertaining to continuing education requirements because the RIBOA is promulgating a separate regulation entitled, RIBOA Regulation 2008-1: *Regulations of The Rhode Island Board of Accountancy Concerning Continuing Professional Education Requirements of Certified Public Accountants And Public Accountants.* The actions and information required by this regulation are hereby declared to be necessary and appropriate to the public interest.

This proposed amendment to this 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 1:30 p.m. on October 21, 2008 in Hearing Room 69-1 of 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 02920to: Richard W. Berstein, Esq.., Hearing Officer.

ALL WRITTEN SUBMISSION MUST BE RECEIVED NO LATER THAN 69-1 AT 1:30 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

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CONCISE EXPLANATORY STATEMENT

RIBOA REGULATION 2008-2

REGULATION CONCERNING PROFESSIONAL CONDUCT OF CERTIFIED PUBLIC ACCOUNTANTS AND PUBLIC ACCOUNTANTS

The Rhode Island Board of Accountancy ("RIBOA") hereby proposes to amend the RIBOA's regulation entitled *Regulations of the Rhode Island Board of Accountancy Concerning Continued Professional Conduct of Certified Public Accountants and Public Accountants* ("Current Regulation") and proposes to adopt the proposed amended regulation entitled *RIBOA Regulation 2008-2: Regulation Concerning Professional Conduct 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 amend the Current Regulation to delete all references to continuing professional education ("CPE") requirements because the RIBOA is proposing to adopt a separate regulation pertaining to CPE requirements. The proposed CPE regulation is entitled *RIBOA Regulation 2008-1 Regulation Concerning Continued Professional Education Requirements of Certified Public Accountants and Public Accountants* and is being adopted contemporaneously with the Proposed Regulation.

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RIBOA REGULATION 2008-2

SUMMARY OF PROPOSED NON-TECHNICAL AMENDMENTS TO PROPOSED REGULATION CONCERNING PROFESSIONAL CONDUCT OF CERTIFIED PUBLIC ACCOUNTANTS AND PUBLIC ACCOUNTANTS

Notice is hereby given, in accordance with R.I. Gen. Laws § 42-35-3 that the following is a concise summary of the proposed non-technical amendments to the Rhode Island Board of Accountancy ("RIBOA") Regulation entitled *RIBOA Regulation 2008-2: Regulation Concerning Professional Conduct of Certified Public Accountants and Public Accountants* ("Proposed Regulation"). The Proposed Regulation is being amended to delete all references to continuing professional education ("CPE") requirements because the RIBOA is proposing to adopt a separate regulation pertaining to CPE requirements. The proposed CPE regulation is entitled *RIBOA Regulation 2008-: Regulation Concerning Continued Professional Education Requirements of Certified Public Accountants and Public Accountants* and is being adopted contemporaneously with the Proposed Regulation.

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CRANSTON, RI 02920

~~233 Richmond Street~~

~~Providence, RI 02903~~

RIBOA REGULATION 2008-2

REGULATIONS ~~OF THE RHODE ISLAND BOARD OF ACCOUNTANCY~~ CONCERNING PROFESSIONAL CONDUCT OF CERTIFIED PUBLIC ACCOUNTANTS AND PUBLIC ACCOUNTANTS

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ARTICLE I

1.0 INTRODUCTION, PURPOSE, FINDING

1.1 Introduction

Section 5-3.1-4(f) of the Rhode Island General Laws authorizes the Board of Accountancy to promulgate rules and regulations of professional conduct for establishing and maintaining high standards of competence and integrity in the profession of public accounting. ~~as well as rules and regulations establishing requirements of continuing education to promote the professional competence of holders of permits to practice under § 5-3.1-7. Section 5-3.1-7(e) of the Rhode Island General Laws authorizes the Board of Accountancy to promulgate regulations relating to the requirements for continuing professional education for any person seeking an annual permit in accordance with that section.~~

1.2 Purpose

The purpose of these regulations is to adopt the AICPA's Code of Professional Conduct to establish uniform, nationally-recognized professional standards ~~and also to establish continuing education requirements to promote competence~~ within the profession.

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 CODE OF PROFESSIONAL CONDUCT

2.1 The Code of Professional Conduct of the American Institute of Certified Public Accountants is hereby adopted by the Board of Accountancy as the Rhode Island Code of Professional Conduct (the "Code").

2.2 The Code shall govern the conduct of all persons licensed under Chapter 5-3.1 of the General Laws (the "Accountancy Act").

2.3 The failure of any person to comply with the Code shall be grounds for discipline in accordance with section 5-3.1-12(4) of the General Laws.

2.4 In the event there is any inconsistency between the Code and the Accountancy Act, the Accountancy Act shall supersede such provisions of the Code.

ARTICLE III

3.0 PROFESSIONAL OBLIGATIONS

3.0 Records. Licensees shall retain records relating to all professional services rendered in public accounting for five (5) years beginning with any engagement commencing on or after December 31, 2005 and thereafter.

3.1 Self Reporting. All licensees shall report to the Board any judgment, award or settlement of a civil action or arbitration proceeding of $150,000 or more in which the licensee was a party if the matter included allegations of negligence, violation of a specific standards of practice, fraud or misappropriations of funds.

3.2 Malpractice Insurance. All practice units required to be licensed pursuant to R.I. Gen. Laws § 5-3.1-9 shall maintain malpractice insurance in the amount of at least $250,000 as a condition of licensing effective July 1, 2006.

~~ARTICLE IV~~

~~4.0 CONTINUING PROFESSIONAL EDUCATION~~

~~4.1 Every certified public accountant (CPA) or public accountant (P A) licensed by the Board ("licensee") shall maintain and improve his or her professional competence through a program of formal continuing professional education (CPE). As a condition precedent to being issued a permit to practice in any particular year, a licensee shall have completed not less than one hundred and 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.~~

~~A.A CPE year will commence on January 1 and end on the following December 31. 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 hours for each hour of presentation. Credit for such preparation and teaching shall not exceed sixty (60) CPE hours for that three 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:~~

~~1.Educational instruction or training in (a) public accounting and auditing subjects, (b) technical business subjects and (c) practice development and management skills will qualify for CPE if the instruction is a formal program of learning that contributes directly to the professional competence of a CPA or P-A 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.~~

~~2.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.~~

~~3.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.~~

~~1. The Board specifically endorses the Statement on Standards for Continuing~~

~~Professional Education (CPE) Programs promulgated jointly by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy.~~

~~H. 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.~~

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

~~4.2 Commencing with the three-year reporting period beginning January 1, 1998 and ending December 31,2000, not less than twenty-four (24) hours of the one hundred twenty (120) hours required hereunder shall be devoted to accounting and auditing subjects.~~

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

~~B. Auditing subjects or courses shall include general auditing theory and practice and 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. Auditing subjects or courses shall also include auditing for specialized industries and commerce, governmental auditing requirements, fraud auditing and audit applications to computers and other information systems. Such subjects shall also include courses related to attestation and assurance services, reporting on forecasts and projections, and such other current and future opinion services normally performed by certified public accountants and authorized by the American Institute of Certified Public Accountants.~~

~~4.3 Commencing with the three-year reporting period beginning January 1, 1998 and ending December 31,2000, not more than twenty-four (24) hours of the one hundred twenty (120) hours required hereunder shall be devoted to practice or personal development skills.~~

~~A. Subjects devoted to practice or personal development skills shall include, but not be limited to:~~

~~1. Administration of a public accounting practice;~~

~~2. Managerial effectiveness and management by objectives, total quality management and other management theories; 3. Oral and written communications;~~

~~4. Human resources, including personnel issues;~~

~~5. Social environment of business;~~

~~6.Practice development, including engagement letters and fee structures; and~~

~~4.4 Technical business subjects shall include, but not be limited to:~~

~~A.Taxation;~~

~~B.Management services, management advisory services and consulting services; Selling and marketing skills.~~

~~C.Non-financial attest and assurance services;~~

~~D.Non-accounting related and non-audit related courses in recognized specialty designations such as personal financial planning, business valuation, government accounting, if not otherwise includable under Section 3.2, managerial accounting and courses designed to maintain a licensee's professional competency in non-traditional practice areas;~~

~~E.General business topics including, but not limited to, economics, business law, probability and quantitative applications in business and business policy, statistics, finance, and mathematics;~~

~~F.Computer applications and information systems, provided the program complies with the requirements of Section 3.1, including the requirement that the program must be primarily directed to enhancing the professional competence of accountants or like professionals. Hence, programs designed to teach non-professionals specific software applications, such as Word, Access or Excel, shall not qualify.~~

~~4.5Commencing with the three-year reporting period beginning January 1, 2005 and ending December 31, 2007, not less than six (6) hours of the one hundred twenty (120) hours required hereunder shall be devoted to professional ethics.~~

~~A.Subjects devoted to professional ethics will include programs devoted to the AICP A 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.~~

~~B.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.~~

~~4.6 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 $250.~~

~~4.7 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 years. Every licensee shall annually submit to the Board a signed statement of his or her CPE credits for the preceding three year period. The statement will include the following information:~~

~~A.Sponsoring organization.~~

~~B.Location of session.~~

~~C.Title and description of the subject matter.~~

~~D.Dates attended.~~

~~E.A. Number of hours claimed.~~

ARTICLE ~~V~~ IV

~~5.0~~ 4.0 ADOPTION

~~5.1~~ 4.1 These regulations are promulgated and adopted in accordance with sections 5-3.1-4(f)(2), ~~and (4),~~ 5-3.1-4(g)~~, 5-3.1-7(c)~~ and 42-35-4 of the general laws.

~~5.2~~ 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 prospectively to all conduct occurring or accounting services rendered on and after the effective date.

~~5.3~~ 4.3 These regulations supersede all prior regulations of the Board on this subject. ~~; provided, however, all complaints or disciplinary proceedings arising out of or concerning conduct which occurred before the effective date of these regulations shall be determined in accordance with the Board's prior regulations, dated September 22, 1997 on this subject.~~

Adopted:	December 1, 1974
Amended:	October 7, 1979
Amended:	September 18, 1984
Amended:	March 26, 1996
Amended:	October 12, 1997
Amended:	June 30, 2004
Amended:	January 16, 2006
Amended:	~~January~~ __, 2008

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