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January 25, 2023

Senator Wobbema  
State of North Dakota  
State Capitol  
600 East Boulevard Ave  
Bismarck, ND 58505

Dear Chairman Wobbema and members of the Workforce Development Committee:

On behalf of the North Dakota CPA Society, we appreciate the opportunity to comment on Senate Bill 2249 and Senate Bill 2337 which aim to streamline administrative processes and ensure efficiency within state government. **The North Dakota CPA Society opposes SB 2249 and SB 2337.**

The North Dakota CPA Society is the statewide association of certified public accountants. Established in 1929, the Society has nearly 1,700 members, consisting of CPAs and students planning to become CPAs. Its mission is to inspire, empower and support its members through the promotion, advocacy, connections, and knowledge.

The North Dakota CPA Society supports the mission of the North Dakota State Board of Accountancy (the Board) to protect the public by setting regulatory requirements associated with obtaining a license to practice public accountancy. A critical way the Board accomplishes this is by ensuring that candidates meet the education, examination, and experience requirements for licensure before being granted a license. The Board also renews an individual's license after determining they have completed the required hours of continuing professional education that ensures a high standard of knowledge. Additionally, the Board licenses CPA firms that have met certain requirements including undergoing a peer review for attest services to ensure the firm complies with technical standards and quality control. In conjunction with these protective measures, the Board investigates complaints from the public about the performance, either technical or ethical, of an individual CPA or CPA firm that may result in penalties such as the suspension or revocation of a license or civil penalties.

Nationally, state boards of accountancy have faced a variety of challenges to their operation including reorganization. In December 2010, Washington State considered merging its accountancy board with a larger department, but first sought an independent feasibility study. The study found "no significant reasons to warrant a merger" due to the accountancy board's role "to promote the dependability of financial information and to protect the public interest."<sup>1</sup> This conclusion supported findings contained in a 2008 U.S. Department of Treasury report. The report warned that "a number of state boards are underfunded and lack the wherewithal to incur the cost of investigations leading to enforcement."<sup>2</sup> The regulation of the practice of public accountancy at the state level is uniquely efficient and procompetitive. At a time when North Dakota is taking steps to create a leaner, more effective government, we urge policymakers to approach the process so as not to diminish the trustworthiness and reliability needed to support the regulation of financial markets. Confidence in professional

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<sup>1</sup> See "Merger Report," December 2010, Zwillinger Greek Zwillinger & Knecht, [www.cpaboard.wa.gov/Home/Wboa\\_News/RFP\\_No1\\_alert.shtml](http://www.cpaboard.wa.gov/Home/Wboa_News/RFP_No1_alert.shtml)

<sup>2</sup> See "ACAP Report," October 2008, U.S. Department of Treasury, [www.treasury.gov/about/organizational-structure/offices/Documents/final-report.pdf](http://www.treasury.gov/about/organizational-structure/offices/Documents/final-report.pdf) (see pages VII:7-VII:8 of that report)

financial services positively impacts the economy and is in the public interest. The North Dakota State Board of Accountancy is committed to the protection of the public and its direct accountability to the public should be preserved so both the perception and reality of independent, professional oversight remains.

A few points to consider:

- Centralized boards may work for licensees that have similar requirements and similar public trust exposure. Professional licenses are very different.
- Professional licenses require internal staff who understand the profession at a deeper level than just the license process. There are many moving parts to CPA licensure, and it is important that it is managed with proper oversight and knowledge.
- The biggest item that separates a CPA from other accounting professionals is the ability to provide attest services. With a centralized board, monitoring the regulations of attest (firm registration, peer review, federal oversight, etc) is less likely to happen.
- Anna Durst is the CEO of the Nevada Society of CPAs. The NV Society administers peer review for 6 different states. In her experience, those with a centralized board do not monitor or discipline CPAs/Firms who are failing in their attest services until an outside agency prompts for action. For example, a dedicated Board of Accountancy will proactively monitor the requirements of a CPA who provides audit services to a client. They will remind the CPA that it is time for a peer review. They will follow up if peer review is not performed by the due date. They will monitor a CPA who receives consecutive non-pass peer review reports. They will ask for remediation by the CPA to improve their service quality. All these actions help to ensure that audits can be relied upon by stakeholders and the public. This is a vital component of CPA services and of the public trust of financial reports. Centralized boards rarely perform these actions. They wait until a peer review administrator, a federal agency, or client notifies them of misconduct or poor services. The ability to catch the issues before they become a major failure helps all involved in the process.
- Centralized boards tend to silo the functions where one person/team checks an application for various licenses, one accepts payments, one confirms various compliance issues, etc. However, all functions must coordinate together with regards to a CPA license (as well as other professional licenses) because the requirements are not independent of each other. Failure in one area immediately impacts the other areas.

The North Dakota CPA Society is pleased to assist you and your staff as these bills are considered. Please contact me at [ssattler@ndcpas.org](mailto:ssattler@ndcpas.org) should you have any questions.

Sincerely,

Sherre Sattler  
Executive Director  
North Dakota CPA Society