

Chairman Robinson called the meeting to order in Room 200 at 3:18 p.m.

MEMBERS PRESENT: Mr. Bennett
 Mr. Brady
 Mr. Chaney
 Mr. Dini
 Mr. DuBois
 Mr. Kovacs
 Mr. Prengaman
 Mr. Rusk
 Dr. Robinson

MEMBERS ABSENT: Mr. Bremner (Excused)
 Mr. Jeffrey

GUESTS PRESENT: See Attached Guest List

The Chairman opened the hearing on S.B. 691.

S.B. 691: REQUIRES POLICIES OF MOTOR VEHICLE INSURANCE TO COVER ALL LOSSES WHEN OTHER PARTY IS UNINSURED OR UNDERINSURED.

Testifying on behalf of the bill was Bob Shriver, representing the Nevada Trial Lawyers. Mr. Shriver explained that the bill would require that insurance companies offer policies to cover uninsured and underinsured motorists equal to the limits of bodily injury. He added that the bill would become effective in January in order to give everyone the opportunity to get the policies structured properly. He also said that the Nevada Trial Lawyers supported the bill and urged its adoption.

Mr. Shriver remarked that the insurance companies did presently offer uninsured motorist coverage but did not offer underinsured coverage.

Dr. Robinson requested a definition of "underinsured motorist." Responding to his question was Chuck Knaus, Casualty Actuary for the Insurance Division. Mr. Knaus explained that uninsured motorist coverage now available in Nevada did contain the provisions for underinsured motorist coverage. He also explained that underinsured motorist coverage would permit someone who was involved in an accident with a motorist who only carried the minimum levels of bodily injury/liability to collect from his own insurance company the difference between what his damages actually were and what was paid by the other party's insurance company when the damages exceeded the minimum amounts. He added that the amount the injured person would be able to collect was limited to the amount he had purchased from his own carrier to cover such incidents.

Mr. Knaus went on to say that there were two types of underinsured motorist coverage being sold in Nevada. One was a pure excess coverage that would allow the covered person to collect the whole limit of his policy in addition to whatever limit the other person

has. The second type of coverage is called "off-set coverage", which means that an injured party could only collect the difference between his limit and the other person's limit.

Mr. Knaus then explained that S.B. 691 eliminated the "off-set" provision. He said, "If you have a limit of uninsured motorist coverage which is greater than the liability limit of the person that runs into you, then you can collect the full limit of your underinsured motorist coverage, assuming you have the damages."

Mr. Knaus also said that the Insurance Division was supportive of the bill in its amended form. He indicated that the wording in the bill; however, made it necessary for the injured person to have coverage "higher" than that of the other person involved in an accident before he could be eligible to collect anything from his own policy. He used the example of two persons involved in an accident who both carried \$50,000 coverage. When the coverage is the same, he said the injured party would be unable to collect any underinsured motorist coverage. Mr. Knaus indicated that he had received some information from State Farm Insurance which showed that 91 percent of their insureds carried the minimum liability coverage of 15/30, and if two such people should become involved in an accident, neither would be able to collect underinsured motorist coverage if S.B. 691 became law because neither person's coverage exceeded the others.

Mr. Knaus explained that "underinsured" motorist coverage was a component of "uninsured" motorist coverage, so whatever amount of uninsured coverage was purchased, the top limit of underinsured motorist coverage would be the same.

Also testifying was Mitch Cobeaga, an attorney. Mr. Cobeaga reiterated Mr. Knaus' remarks and added that he interpreted the language on line 22, "without deduction of coverage of the other owner or operator," to mean that the injured party could put the coverage from the underinsured motorist "on top of" the coverage he receives from his own policy. He added that this interpretation would permit individuals to circumvent another measure which had been designed to increase the financial responsibility limits of motorists but had been defeated. Mr. Cobeaga said that his interpretation would, "effectively give everyone who is insured limits of 30/60 rather than the present required 15/30."

Mr. Cobeaga also commented that the bill would add substantial costs to the price of insurance and explained how the operations of the insurance companies would have to change if the bill were to become law. He said that the solution is to just let the motorist purchase coverage for uninsured and underinsured motorists as they want. Mr. Cobeaga also remarked that if the bill should pass, he thought some of the younger motorists would drop all coverage because of the increased cost of insurance, and that this would leave "a lot of people with no where to turn to."

Virgil Anderson, representing AAA, testified that the bill would result in a \$10 to \$20 increase to existing insurance policies. 423

Mr. Anderson, in response to a question from Dr. Robinson, indicated that the bill had originated from the Trial Lawyers Association via the Senate Commerce Committee. He also said that the bill is "contrary" to A.B. 70, which had passed the Assembly, and that the Senate was attempting to amend A.B. 70 to include the provisions of S.B. 691.

Dick Garrod, representing the Farmers Insurance Group, remarked that the language, "without deduction . . ." was intended to destroy the off-set, which the Farmers Group utilizes in an attempt to keep insurance within the purchasing power of everyone. Mr. Garrod also said that 51 percent of the people purchasing Farmers Insurance bought only the minimum levels of 15/30, and that 89 percent of the people buying from Mid Century bought only the minimum levels; however, 99 percent did carry uninsured motorist coverage at least for the minimum limits.

Mr. Garrod testified that the passage of S.B. 691 would increase policy premiums from \$25.60 to \$62.72. He added that the motorist under age 20 would have an increase in policy cost of up to \$109.40. He summarized his remarks by saying that he thought the bill was bad consumer legislation, and that he was opposed to it.

Dr. Robinson then opened the hearing on S.B. 686.

S.B. 686: RAISES LIMITS ON LOANS BY SAVINGS AND LOAN ASSOCIATIONS AND REVISES PROCEDURE FOR APPEAL FROM DECISIONS OF COMMISSIONER OF SAVINGS ASSOCIATIONS.

Testifying on the bill was Norman O'Kada, Acting Savings & Loan Commissioner. He said that Sections 1 and 2 of the bill were modifications by the Legislative Counsel Bureau. Section 3, he explained, extended the time from 6 months to 1 year which an association had to establish its office. Mr. O'Kada went on to explain that the major changes to the law appeared in Section 4, which modified the single family dwelling loan limits from \$75,000 to \$93,750. Section 4 also moves the limits from an 80 percent to a 90 percent loan and extends the time frame from 30 to 40 years. Mr. O'Kada stated that these changes were similar to what federal charters were allowed and would bring the state associations into parity with the federal associations.

Mr. O'Kada indicated that Sections 5 and 6 streamlined the appeal process, which would result in a savings of time and money.

There was no further testimony on S.B. 686, so Chairman Robinson opened the hearing on S.B. 472.

S.B. 472: CHANGES CERTAIN PROVISIONS RELATING TO OBLIGATIONS OF NEVADA INSURANCE GUARANTY ASSOCIATION.

Testifying on the bill was Chuck Knaus, from the Insurance ~~1424~~ on.

Mr. Knaus indicated that the thrust of the bill was to give people extra time to file claims under the insolvency guaranty fund and to increase the amount that can be collected from \$300,000 to \$500,000. Mr. Knaus said that the Insurance Division "sort of favors" the bill but that he wanted the Committee to be aware that the Nevada State General Fund was the ultimate guarantor of the fund. He went on to explain that any money paid from the fund is first gotten through the assessment of insurance companies and those companies recover the amounts that they are assessed through an off-set to their future premium tax.

Also testifying on the bill was Dick Garrod of the Farmers Insurance Group. He indicated that the chairman of the guaranty association had opposed the bill when it was heard in the Senate because the amount in the fund was being increased by 66 percent and because ultimately, the tax payers of Nevada "pay the bill."

Mr. Garrod went on to say that he was in agreement with the extending from 30 to 60 days the time allowed for filing claims against the fund; however he was opposed to the increase in dollar limits because, on an average, most other states have \$300,000 limits. He also explained how claims were filed against the fund.

There being no further testimony on S.B. 472, Chairman Robinson opened the hearing on S.B. 495.

S.B. 495: PERMITS COLLECTION AGENCY AND DEBT ADJUSTING COMPANY TO PLEDGE CERTAIN ASSETS IN LIEU OF PURCHASING A BOND.

Testifying on behalf of the bill was Joseph Sevigny, Superintendent of Banking for Nevada. Mr. Sevigny said that the bill would allow collection agencies and debt adjustors to deposit with a financial institution liquid assets in place of a bond.

He indicated that the reason the Banking Division was requesting the bill was because bonds were hard to come by and were becoming more and more expensive. He said that the premiums were running about \$1,000 per year for a \$10,000 bond.

Mr. Sevigny said that he had forgotten to add "thrift companies" to the bill and that he would support an amendment to include these institutions in the bill. He also said that other divisions within the state were utilizing such methods and "it works well."

The next bill for hearing was S.B. 132.

S.B. 132: PROVIDES CIVIL PENALTIES FOR VIOLATION OF PROVISIONS OF CHAPTERS 703 and 712 of NRS.

John Clark, representing the Public Service Commission, stated that the P.S.C. had requested this legislation to insert penalty provisions to NRS Chapters 703 and 712 which had been omitted previously.

He added that there was also "clean-up language" in the bill which had been put in by the bill drafter.

There was no further testimony on S.B. 132, so Chairman Robinson opened the hearing on S.B. 634.

S.B. 634: REQUIRES NOTICE TO OTHER CLAIMANTS OF ACTION ON BOND OR DEPOSIT OF CONTRACTOR.

There was no one present to testify on S.B. 634, so the Chairman opened the hearing on S.B. 661.

S.B. 661: AMENDS VARIOUS PROVISIONS RELATING TO PUBLIC ACCOUNTING.

Testifying and explaining the bill to the Committee was Leroy Bergstrom. Mr. Bergstrom indicated that the bill represented an extensive revision of the accountancy act of the State of Nevada. He said that the objective of the bill was to deal with accountancy as it is practiced in the 1980's. Mr. Bergstrom added, ". . .the effectiveness of the new enforcement obligations imposed on the Board by S.B. 411 are highly dependent on the passage of this bill.

Mr. Bergstrom presented a letter to the Committee members along with a written, section-by-section explanation of the bill. The letter and explanation are attached as EXHIBIT A.

Dr. Robinson requested Mr. Bergstrom to read the substantive changes of the law into the record, which Mr. Bergstrom did with extensive explanations.

Also testifying on the bill was Patrick Pine, Assistant Comptroller for Clark County. Mr. Pine indicated that there was a problem with the legislation as it pertains to governmental accounting. Mr. Pine's remarks are attached in their entirety as EXHIBIT B. He stressed that he was in support of the bill and only had problems with that one issue, to which he did not think there was a simple solution.

Following Mr. Pine's remarks, Chairman Robinson opened the public hearing on S.B. 699.

S.B. 699: REVISES FEES AND LICENSING PROVISIONS FOR PERSONS ENGAGED IN BUSINESS OF INSURANCE.

Testifying on the bill was Bob Evans, Associate Actuary for the Division of Insurance. Mr. Evans read a summary of the bill which is attached as EXHIBIT C.

Dave Bianchi, representing the Nevada Association of Life Underwriters, stated that the Association was in firm support of S.B. 699.

Also testifying on the bill was Wayne Carlson, an instructor of

a property and casualty prelicensing class at the University of Nevada. Mr. Carlson indicated that he was in favor of the bill and had no objection to the increased fees.

There being no further testimony, Chairman Robinson adjourned the meeting at 5:07 p.m.

Respectfully submitted,



Evelyn Edwards
Committee Secretary

ASSEMBLY COMMERCE COMMITTEE

GUEST LIST

DATE: 5/27/81

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO.
Heroy Bergstrom	NEVADA STATE BOARD OF ACCOUNTANCY	X		SB 661
Gordon Livingston	NEVADA STATE BOARD OF ACCOUNTANCY	X		SB 661
PATRICK PINE	CLARK COUNTY	X w/ amendment		SB 661
DAVE BIANCHI	NEV ASSOC OF LIFE UNDERWRITERS	X		699
MELVIN BRUNETTI	NEV STATE BOARD OF ACCOUNTANCY	X		SB 661
BOB EDWARDS	NEV BUS DIVISION	X		SB 699
Charles Joerg	NEV Society of CPAs	X		SB 661
JOHN CLARK	PSC			SB 132
MITCH COBEAGA	NEV FEDERATION OF DEF COUNSEL		X	691
Dick Grant	Farmers Loss Group		X	SB 691 SB 472
Virgil Anderson	AAA		X	691
BOB SHRIVER	NEV. TRIAL LAWYERS	X		691
Wynne Carlson	Washoe County		X	691
" "	" "	X		699
A. P. [unclear]	Commerce - S&H [unclear]	X		686



NEVADA STATE BOARD OF ACCOUNTANCY

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MERLIN J. JONES, CPA

May 22, 1981

The Honorable Robert Robinson
Chairman
Committee on Commerce
Nevada State Assembly
Carson City, Nevada 89701

Dear Mr. Robinson:

We expect that your committee will shortly receive SB 661, a substantial amendment of the existing accountancy act, which was afforded a unanimous amend and do pass as amended by your colleagues of the Senate Committee on Commerce.

The Bill represents two years of analysis and rewrite by our Board to bring a 1960 regulatory law into the accounting practice world of the 80's. The original law, addressing primarily individual licensees, has proven inadequate to regulating the practice of firms - partnerships and corporations - that now dominate the practice of public accounting in our state.

In the closing days of the session, we recognize that time is critical - to you and to the Board - in affording final consideration of the Bill. We strongly believe its favorable consideration is in the public interest, particularly in that the effectiveness of the new enforcement obligations imposed on the Board by SB 411 are highly dependent on the passage of this Bill.

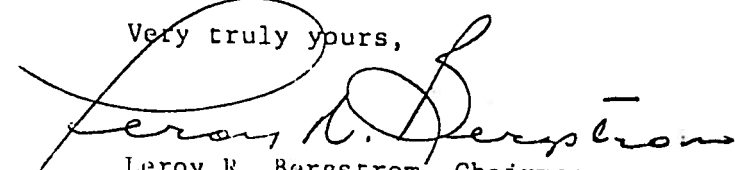
I have attached a copy of a summary of the substantive changes proposed for the benefit of the Committee. The Senate amendments were solely for the purpose of correcting certain bill drafter's modifications to the BDR that inadvertently changed the meaning of the Bill. They are wholly consistent with the original intent of the Board and we endorse them without qualification.

The Honorable Robert Robinson
Committee on Commerce

May 22, 1981
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We would appreciate your secretary's advice when the Bill is scheduled for hearing. I can be reached at 789-7714 (office) or 853-2906 (home). Our executive director, Gordon Livingston, may be reached at 786-0231 (office) or 345-6183 (home).

Very truly yours,



Leroy R. Bergstrom
Leroy R. Bergstrom, Chairman
Committee on Legislation

LRB:11

Enclosure

cc: All committee members (w/encl.)

1430

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NEVADA STATE BOARD OF ACCOUNTANCY

1981 Nevada Legislature

General Explanations of SB661

(Amendments to Chapter 628 Public Accountancy Law of 1960)

May 22, 1981

GENERAL EXPLANATIONS SB 661
(AMENDMENTS TO NRS CHAPTER 628,
THE PUBLIC ACCOUNTANCY LAW OF 1960)

Sections 1 and 2

These sections have been added to the statute to define and recite the purpose of the law.

Sections 3 - 10

These sections have been amended to expand the number of definitions used in the statute, primarily the definitions of "attest" and "practice of public accountancy" which definitions are necessary to enable better interpretation and enforcement of the statute.

Section 11

This section has been added which allows the board to suspend execution of any suspension or revocation and place the CPA or PA on probation with limitations as the board may see fit, including specific continuing education or practice review. The board has, with consent, used the probation method for several years with great effectiveness in cases where the board found that a practitioner was insufficient in his reporting standards or other practice methods. Rather than suspend his license with no further positive action as to his qualifications and then allow the practitioner to resume practice at some future date still uneducated, or with uncorrected bad habits or practices, the board has suspended the person's ability to practice, stayed the execution of that suspension and required that all of the practitioner's work be reviewed by a qualified practitioner before it was released to the public. This practice upgrades the deficient practitioner and protects the public. This amendment would codify that effective probation method, and ties into Section 35.

Section 12

628.045 starts a series of amendments whereby the designation "public accountant" has been changed throughout the chapter to "registered public accountant" to tie into the new definition in Section 9. A provision to phase in a laymember is written into this section. The section also contains the first housekeeping amendments whereby a "permit" to practice public accounting has been edited in certain places in the statute to read "live permit."

Section 13

Housekeeping and provisions for appointment of laymember.

Section 14

Housekeeping.

Section 15

Housekeeping.

Sections 16 and 50 [NRS 233B.039(e)]

Since the inception of the law in 1960, this section has allowed the board of accountancy to adopt rules of professional conduct in a manner that is in conflict with the Nevada Administrative Procedure Act. We feel it is important to continue to amend or adopt new rules of professional conduct in accordance with this section, and a new section 3 has been proposed to exclude the board from the requirements of the Nevada Administrative Procedure Act only as to the promulgation of rules of professional conduct. All other regulations of the board would continue to be proposed and adopted through the Nevada Administrative Procedure Act. NRS 628.160(3) contains some housekeeping amendments relating to professional corporations and partnerships.

Section 17

This amendment is a major revision in the law to change the grievance committee's function from decision making and recommending action to the board regarding grievances, to factual investigation of grievances. The amendment also establishes an investigative member from the board of accountancy to act as a liaison with the grievance investigative committees to expedite grievance handling and to help the grievance investigative committees process complaints. The board has found that this amendment is necessary to more properly handle the grievance investigative procedure. Once the investigation is completed by the committees, then the investigative board member makes his recommendation to the board which then proceeds under the notice and hearing section to handle the grievance. There are also housekeeping provisions in this section.

Section 18

Housekeeping.

Section 19

Housekeeping. Additional subsection 3 allows the board by regulation to substitute continuing education programs for a partial satisfaction of the experience required by this section. The board has found that it is advisable to supplement the experience gained by actual practice with continuing education programs to assist the candidate fulfill his experience requirements. The provision allowing an applicant to receive a CPA certificate with one year experience if he holds a masters degree in accounting or business administration has been repealed. The one year of experience is not adequate.

Section 20

Housekeeping.

Section 21

Housekeeping.

Section 22

Housekeeping and further amendments to codify a practice followed by the board for years which allows college seniors to take the uniform CPA exam before graduation because of the national testing date schedule.

Section 23

This is a first in a series of amendments throughout the act which allows the board to collect fees as determined by board regulation rather than have the amount of the fee set in the statute. The board has found that due to its regulatory process requirements, certain fees must be changed from time to time, and waiting for the legislature to meet each two years is either too late for proper budgetary purposes or expensive and time consuming for the board. Under the Nevada Administrative Procedure Act, any such regulation would have to be reviewed by the legislative commission providing the proper safeguard on the board's action. The levying of fees does not affect the state budgetary process or funds as the fees are paid entirely by the licensed practitioners.

Section 24

The amendments are housekeeping provisions related to the manner in which the CPA exam is administered and the manner in which candidates may hold a passing grade from examination to examination.

Section 25

The amendment allows the board to set the amount of the fee by regulation.

Section 26

This is the reciprocity section of the Act allowing the waiver of the CPA examination for persons who are CPA's in other states or jurisdictions of the United States approved by board regulation. The amendments contain some housekeeping language and specifically state that the examination will be waived for those persons holding out-of-state CPA certificates who possess the qualifications of education, experience and testing which were in effect in the State of Nevada on the date that the person received his out-of-state CPA certificate.

Section 27

Housekeeping. The amendment also allows partners of national accounting firms with offices in Nevada to come to Nevada for a short engagement with local partners without causing a technical violation of the law. It also allows CPA professional corporations to be partners in partnerships and CPA partnerships to be general partners in a CPA partnership. These changes are necessary to allow accountants to use the tax laws

which provide certain benefits to professionals who incorporate for pension and profit sharing purposes. The board may charge registration fees for partnerships and corporations as set by board regulation.

Section 28

Housekeeping.

Section 29

These amendments contain housekeeping changes relating to registered Public Accountant professional corporations and partnerships which are the same as those contained in Section 27 relating to corporations and partnerships of Certified Public Accountants.

Section 30

Housekeeping.

Section 31

The amendments make some housekeeping changes, and cleans up some redundant language. The amendments provide that only individuals will hold live permits to practice and that partnerships and corporations will be registered rather than also being required to obtain permits to practice. The fees provided for in this section are to be set by board regulation. A new section provides for a retired or inactive status for a holder of a certificate of certified public accountant or for a registered public accountant. At the present time, there is no way for a retired person to hold the actual facsimile certificate or registration or that standing without continuing to pay the annual permit fees.

Section 32

Housekeeping.

Section 33

Housekeeping.

Section 34

Housekeeping.

Section 35

A major change has been made in the causes for revocation contained in this section to allow the board and the practitioner to have a more definite statement of the causes for revocation. The amendments also add the ability of the board, after notice and hearing, to impose an administrative fine not to exceed \$1,000 and to collect the cost of the proceedings. Experience has shown that the ability of the board to impose fines and costs would help the enforcement of the provisions of this chapter as certain violations cannot be handled exclusively by revocation or suspension. The administrative fine would greatly enhance the board's effectiveness with compliance and protection of the public.

Section 36

This section deals with revocation and suspension of partnership and corporation registrations, and adds the ability of the board to impose fines and costs on the partnership and corporation firms. This section imposes procedures on firms which are similar to those which are imposed upon individual practitioners under NRS 628.390. The board has found through its experience that most accountants practice in firms and in some instances the problems of enforcement or harm to the public occurs as a result of not only an individual practitioner's actions but also the firm's actions. This section is used to take action against the entire firm.

Section 37

This section contains some housekeeping provisions but more importantly at subparagraph 6 new language has been inserted to allow a grievance or enforcement hearing to be conducted by less than the full seven member board. The amendment would allow the matter to be heard by one member appointed by the board as a hearing officer with the balance of the board of not less than three members reviewing the record and making a final decision on the case. This amendment ties into the provisions of the Nevada Administrative Procedure Act, NRS 233B.122, 233B.124, 233B.125 and 233B.126 which tend to indicate that a hearing officer could be appointed for a case with the record to be reviewed and decision made by the full board. To prevent disqualification of one board member requiring an appointment by the governor of a substituting board member and to reduce the cost of a full board hearing for every grievance matter, the board has proposed the changes in subsection 6.

Section 38

Housekeeping.

Section 39

Housekeeping.

Section 40

A significant amendment has been made to this section relating to the certified public accountant or public accountant who is not licensed in Nevada but licensed in another state and who desires or must come to the State of Nevada to do an accounting engagement of an extended duration but does not want to become licensed in the State of Nevada. His practice in Nevada may be necessary because of a client moving an operation to Nevada or having interstate offices. The board can under this section issue a six-month temporary permit to practice to these persons and many difficulties have been encountered with regard to the issuance and monitoring of such permits. A majority of these permits are issued to out-of-state accountants who are performing gaming audits. Difficul-

ties have been encountered with the gaming control board relating to the quality of the work being done by the out-of-state accountants and the ability of the board of accountancy to police or regulate such audits. The impact of these permits on the board has been substantial and the board has proposed these amendments for better regulation of these out-of-state certified public accountants and public accountants and their firms. Provisions have been added to this section to allow the board to refuse to issue further temporary engagement permits during such time as a temporary permit holder is involved in a pending and unresolved complaint against him or his firm.

Section 41

Housekeeping and a repeal of subsection 2 referring to foreign accountants.

Section 42

Housekeeping.

Section 43

Housekeeping.

Section 44

Housekeeping

Section 45

Housekeeping and a deletion in subparagraph 3 of references to foreign accountants.

Section 46

Housekeeping.

Section 47

Housekeeping.

Section 48

Housekeeping.

Section 49

This section contains an amendment which codifies the rules of professional conduct provisions and customary practice with regard to use of past partners' or shareholders' names in the name of the firm or its successor firm.

Section 50

Ties into Section 6, allows rules of professional conduct to be promulgated without administrative procedure act provisions.

Section 51

NRS 628.270. This section has been repealed because it is no longer applicable and related only to the provisions of the law which in 1960 started upgrading the educational and experience requirements for a CPA certificate. There is no longer

any candidate who is subject to the changes in educational and experience requirements as provided by the law prior to April 21, 1971.

NRS 628.320. This section has been repealed as the board cannot adequately administer temporary certificates. It takes as much cost and effort to issue a temporary certificate as a permanent certificate and to our knowledge none have ever been issued.

NRS 628.330 as been repealed. This section allows persons holding foreign certificates, licenses or degrees recognized as qualifying for practicing public accounting in a foreign country to be registered in Nevada under that foreign accounting qualifications which are misleading and do not meet the standards as set in NRS Chapter 628. It would be a detriment to the public to allow these persons to practice under a foreign designation as they are not qualified under the laws of the State of Nevada to practice public accounting and they would endanger and confuse the public. No such person has ever been registered in the State of Nevada.

Section 52

This is a new section to stagger the three year terms of the seven board members to that two board members' terms expire each year for two successive years and three board members' terms expire in the third year. This provision is necessary because of certain changes made by the 1977 Legislature with regard to terms of board members which now results in four of the board members' terms expiring on October 31, 1983, and one member's term expiring on October 31, 1982.

COMMENTS ON SB 661

Presented by Patrick Pine,
Assistant Comptroller, Clark County

May 27, 1981

I will confine my remarks to a single issue which relates to Section 19 of SB 661. As Assistant Comptroller, I have an internal audit division in my office headed by a CPA with three other auditors. Several of these auditors have been able to pass exams, but generally have difficulty meeting experience requirements since two years of audit experience in the private sector qualifies for certification while governmental auditors have no specific assurance of what it might take to qualify. Therefore, we have difficulty recruiting and retaining auditors who are anxious to become CPA's. We believe that SB 661 does not help at all in this regard, *even though we support the bill generally.*

Section 19(2) regarding experience in governmental accounting and auditing to a degree sufficient in the opinion of the board to qualify for certification is discriminatory and vague as compared to those who work in the private sector. The guidelines are definite in the private sector - but opened in the governmental arena. Further, Section 19(3) implies that the board may continually change programs of continuing education to partially satisfy experience requirements simply leaves the auditor in government uncertain of what it will take to qualify.

The requirements for continuing programs of education imposed on the Legislative Counsel Bureau auditors by the state board at its October 27, 1980, meeting involved 10 courses or 206 hours for continuing education programs offered by the American Institute of Public Accounting or similar programs previously reviewed and approved by the state board. We assume the requirements for an auditor in Clark County would be similar. Yet, the two year experience requirement is all that is needed whether the experience is gained in a two-man office or at a "Big 8" firm.

These prescribed courses may impose significant additional costs on a governmental auditor, also. If the 10 courses could be taken in 1981, the cost would be about \$2,800 each, excluding loss of pay, transportation and subsistence. However, only three of these prescribed courses, totaling 40 hours at a cost of \$425 per course, are offered in Las Vegas in 1981. At this rate it would take a Clark County auditor about 5 years to qualify for a certificate.

Thus, a governmental auditor is required to spend probably three years more than a private auditor at considerable additional cost and time without any assurance that the board will accept the substitution. We prefer that the board be required to set a maximum time limit on necessary experience for government auditors, perhaps 3 years and that the board recognize that some government auditors are working under direction of a CPA and should be viewed as learning at a level similar to private firm auditors.

The Nevada Insurance Division has requested the amendments to their licensing fees and provisions. The division has proposed the following changes in the examination, appointment, renewal and fees in order to bring more efficiency to the administrative processing and to provide reasonable fees based on higher initial license and application fees and uniform renewal fees.

The following is a summary of the changes and the need for the changes by section:

SECTION 1 NRS 679B.305 deletes reference to Chapter 683B (life insurance analyst) as the entire Chapter 683B is being repealed. The division has never had a license in this area and it is not used in industry.

SECTION 2 NRS 680B.010 There are seven major changes in 680B.010.

- (1) Licensing renewals will be on a triennial basis rather than on an annual basis.
- (2) Agents will be required to pay a renewal fee for their license which has never been done.
- (3) The fee for renewal will be the same for all licensees. The fee will be \$10.00 for each year of a three year period giving way to a uniform \$30.00 renewal. The difference between the existing renewal and the new renewal will actually be an increase to some licensees and a decrease to others.
- (4) The initial appointment fee will be \$5.00 rather than \$2.00. This increase reflects more realistically the cost to process.
- (5) No renewal of appointments. The initial appointment will remain in effect until terminated in writing by the insurer.
- (6) Higher initial license and application fees which reflects the major administrative cost to the division and the state.
- (7) Deletion of any reference to examination fees as the fee will go directly to the outside testing service and take the division and state out of the third party status.

We have also incorporated fees from other chapters into 680.010 to isolate the major fees into one area.

SECTION 3 NRS 683A.170 allows for the pre-licensing examination prior to the application submission to the division. An individual who wants to become an agent will pursue the requirement of a pre-licensing examination directly with the outside testing service who is under contract with the division. Once the exam is passed, then the individual becomes an applicant for a license. This change will cut down on excessive unnecessary paper work and accounting procedures. The commissioner will still control the outside testing service by contract.

SECTION 4 NRS 683A.180 Housekeeping

SECTION 5 NRS 683A.190 Provides for contracting with outside testing service.

SECTION 6 NRS 683A.230 Housekeeping

SECTION 7 NRS 683A.270 provides for change in renewal from annual to triennial. Will provide to the division the right to go to renewals on a staggered basis rather than a particular date for all licensees. Takes out all references to renewals of appointments.

SECTION 8 NRS 683A.280 changes requirements for appointments to permanent until terminated.

SECTION 9 NRS 683A.290 Appointments

SECTION 10 NRS 684A.100 Same as Section 3.

SECTION 11 NRS 684A.130 Renewal changes.

SECTION 12 NRS 684A.140 Renewals

SECTIONS 13 through 23 allows for the same changes as prior sections for renewals, appointments and examinations for licensees (motor vehicle damage appraiser, pre-need salesmen, fraternal agents, bailbondsmen).

SECTION 24 Repeals particular sections of the code not required with changes and also repeals entire chapter for life insurance analysts.