

**OREGON BOARD OF ACCOUNTANCY  
2006 FALL WORK SESSION  
MINUTES**

**Sunday, October 1, 2006**

**Hallmark Resort Cannon Beach**

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*The Board of Accountancy protects the public by regulating  
the practice and performance of all services  
provided by licensed accountants*

**Board Members**

James Gaffney, CPA, *Chair*  
T. Lynn Klimowicz, CPA, *Vice Chair*  
Kent Bailey, CPA, *Treasurer*  
Anastasia Meisner, Esq., *Public Member*  
Jens Andersen, CPA  
Ray Johnson, CPA  
Stuart Morris, PA

**Staff Members**

Carol Rives, *Administrator*  
Noela Kitterman, *Investigator*  
Kimberly Bennett, *Cmte. Coordinator*  
Joyce Everts, *Cmte. Coordinator*  
Heather Shepherd, *Cmte. Coordinator*

**Guests**

Karey Schoenfeld, CPA, OSCP Representative  
Cheryl Langley, OSCP  
Ivan Besemann, CPA, OAIA Representative  
Jeffrey Dover, Asst. Attorney General

**CALL TO ORDER**

**A. Appoint Process Observer**

A quorum being present, Vice Chair Klimowicz called the meeting to order at 8:35 a.m. Stuart Morris was appointed process observer and guests were introduced.

**2. Professional Issues**

**A. FASB Standard Setting Proposal**

The Board missed the timeline to respond to the FASB "Issues for Respondents" in financial accounting and reporting activities of not-for-profit private entities (private companies). Kent Bailey and Ray Johnson will attend the NASBA Annual Conference in October 2006 when there may be further discussion.

2. Comments solicited from Alan Steiger, CPA
3. FASB Invitation to comment document
4. NASBA response letter

**B. UAA Questionnaire: Qualifying for CPA Exam**

The Board discussed the benefit of having the 150 semester hour rule in effect. Ms. Rives noted that the number of licensees continues to grow 1 – 1½% each year and that no decrease in the number of students in public accounting has been noted. The Board discussed a NASBA questionnaire mailed to all Boards regarding the current educational requirements. The administrator will send to NASBA.

**C. Compare lapsed and inactive status (FAQ)**

The Board members reviewed the current FAQ that is posted on the Board's website.  
*Board Discussion: When a licensee chooses not to renew a CPA/PA Permit, the Board should have a separate distinction rather than lapsed. The term "lapsed" can be misleading as it appears that the licensee failed to complete a step with their Oregon permit when in fact,*

*the licensee may have told the Board that they no longer wanted or needed the Oregon permit. Reinstatement requirements are the same whether the lapse is voluntary or involuntary. The Board requested staff inquire with other states for the rules and/or policies for a licensee to reinstate a lapsed permit. Staff will present the finding at the May 2007 work session.*

#### **D. Licensing Requirements for Out-of-State Licensees**

The Board members reviewed a flow chart created from the notes of the May 2006 Board work session.

*Board Discussion: Based on the flow chart, what is holding out and what is domicile? If a licensee has a web site that offers services to potential clients, would this be considered holding out in the state of Oregon and require the CPA to hold an Oregon permit or authorization? If a business is registered with the Oregon Secretary of State, does the accounting firm need to register with the Oregon Board of Accountancy to complete any public accounting services the business may have inside the state of Oregon? The AICPA has an exposure draft regarding substantial equivalency which will be on the agenda for the National meeting later this month. The following activities require licensure or authorization in the state of Oregon: Solicitation to Oregon clients, Indirect solicitation which results in an engagement, or an engagement with an Oregon resident. An Oregon client is determined by the principal place of business with substantial activity. This topic will be tabled for now and be brought back to the Spring 2007 work session.*

### **3. Staff and Board Reports**

#### **A. Licensing and Exam**

##### **1. 2005 Peer Review Reporting Audit Results**

850 firms were subject to Peer Review and 10% were audited. Of the 85 firms audited: 82 firms or 96% were compliant upon submission; one firm was granted an extension; one firm's Peer Review Report will be reviewed at the November 7, 2006 Peer Review Oversight Committee meeting and one firm was issued a \$1,000 civil penalty Notice for non-response to Board communication with respect to the Peer Review audit.

#### **B. Enforcement**

##### **1. (See 4.B. – work session)**

#### **C. Administrative**

##### **1. Administrator Expenses**

Rives presented a spreadsheet of the Administrator's out-of-pocket expenses from October 3, 2005 through June 21, 2006. Rives noted Administrator expenses need to be reviewed annually.

##### **2. 2006 Annual Progress Report, Pfc Measures**

The Board reviewed the Annual Performance Progress Report for the Board of Accountancy. The Key Performance Measures are: Customer Satisfaction; Complaint Investigations; Complaints Resulting in Disciplinary Action and Contested Cases Resolved by Consent. The Board of Accountancy is the first agency to list Key Performance Measures on the BOA website and on the DAS website.

Customer satisfaction reached an overall 96.7% satisfaction rate however, a certain percentage of customers will not be satisfied with all Board policies or decisions. Customers expressed the preference to select "n/a" on the survey, for services they do not utilize. Complaint investigations are at 58% with a goal of 75%. There is a continued increase in achieving the goal of processing complaints within six months.

Complaints resulting in disciplinary action are at 54%. The expectation is that the percentage of violations that result in disciplinary action will decrease as licensees become aware of conduct that violates Board regulations. However, we did not consider that as the number of licensees increases, the number of complaints will increase also.

The number of contested cases resolved by consent agreement prior to formal hearing is at 54%, with a 2007 target of 60%. The desired outcome is that the number of disciplinary actions settled by consent shall increase. The administrative hearing process is expensive and disruptive. The Board encourages licensees who receive notice of a violation to consider an agreed settlement of the issues prior to hearing.

### **3. Ending Balance**

The Board reviewed biennial comparisons for the past ten years (1999-2009). Rives noted that the numbers will change when the Budget is Legislatively Approved. The Board is aware that the 2005-2007 estimates are based on current numbers and extrapolated for the biennium. The 2005-2007 actuals include information through July 2006. The Board concurred that the budget is on target.

## **4. Administrative**

### **A. Administrative Rule Development**

(Clean copies in October 2 agenda packet)

#### **1. Division 001: clerical changes plus Jan 1, 2007 effective date**

The Board already reviewed the proposed changes and did not suggest any additional.

#### **2. Division 005: revisions not yet reviewed**

The definitions for 'Direct Supervision' and 'Supervisor Licensee' were removed from Division 005. Both definitions were already in Division 010 which is a more logical location. The definition for substantial equivalency was modified for clarification.

#### **3. Division 010: revisions not yet reviewed**

The definition of direct supervision was revised to include provisions for an independent contractor may serve as a supervisor licensee so long as there is an agreement between the employer and the contractor. The qualifications committee suggested that the contract should be in place prior to the period of supervision. This addition was included in the proposed rule changes.

#### **4. Division 020: revisions not yet reviewed**

All revisions to Division 020 were approved at the August Board meeting except for the addition that substantial equivalency licensees are eligible to bid on municipal audits if they hold a muni auditor license.

**5. Division 030: revisions not yet reviewed**

Division 030 was reviewed in detail by the Code of Professional Conduct committee. Ray Johnson prepared a comparison worksheet of the Board rules with the AICPA Code of Professional Conduct to which the committee based its recommended changes. In some instances, rather than adopting each interpretation of the AICPA, the interpretations are approved as guidance to licensees, the Board and the public.

**6. Division 040: approved August 7, 2006**

All changes to Division 040 were previously approved by the Board.

**7. Division 050: no revisions, no item**

**B. Cash Reserve Report**

**1. Potential Major and Complex Case Investigations**

The Board reviewed a summary of potential reductions to the 2005-2007 biennium ending balance. One word was omitted from the summary sheet - add "*presented*" to the sentence "Potential specialist and legal cost if a single major case were *presented*." The summary sheet is a compilation of the data from the 2003-2005 completed complaint cases. The figures do not reflect expenditures for revised personal services COLA and merit increases.

**2. Authority to Assess Costs of Disciplinary Actions**

The 2005 legislature amended ORS 673.170(9) to authorize the Board to assess costs associated with licensee disciplinary action. The Board considered how this legislation will affect the Board. The Board concurred that the discussion will be deferred to the May 2007 work session meeting. At that time, the Board will define policies for assessing disciplinary costs.

**C. Length of Board Member Terms**

The Board reviewed current Board member terms and noted that one of the Board members will not have an opportunity to chair the Board. Board members currently serve a three year term with one extension for a total of six years. The discussion led to the possibility of extending the term to four years with one extension for a total of eight years on the Board. It is the consensus that asking volunteers to serve on the Board for eight years is too long. The Board believes it is a commitment that should not exceed six years. Rives requested a list of applicants for public members from the Governors office and they do not have a list.

**5. Process Observer Report**

This was a long meeting with excellent communications, good brainstorming and quality outcomes. The chair did a good job of bringing the discussion to a halt at lunchtime. With all the revisions to Division 30, the Board needs a clean copy of the revisions before the Board meeting in the morning.

**6. Adjourn** The meeting adjourned at 5:20 p.m.