

**OREGON BOARD OF ACCOUNTANCY**  
**Minutes of Special Board Meeting**  
**March 22, 2007**  
**Phone Conference**

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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 Present**

Lynn Klimowicz, CPA, *Chair*  
Kent Bailey, CPA, *Vice-Chair*  
Jens Andersen, CPA, *Treasurer*  
Stuart Morris, PA  
James Gaffney, CPA  
Ray Johnson, CPA  
Eric Lind, *Public Member*

**Staff Members**

Carol Rives, *Administrator*  
Noela Kitterman, CPA, *Investigator*  
Joyce Everts, *Committee Coordinator*  
Heather Shepherd, *Committee Coordinator*

**Guests Attending**

Jeffrey Dover, Asst. Attorney General  
Ivan Besemann, CPA, OAI Representative  
Shari McPherson, OSCPA, *Representative*  
Karey Schoenfeld, CPA, OSCPA Representative  
Steve McConnel, CPA, OSCPA *Representative*

A quorum being present, Chair Klimowicz called the meeting to order at 4:35 p.m. The discussion topics for the Special Board meeting are Senate Bill 748 and House Bill 5501.

**Senate Bill 748 (Attachment A)**

SB 748 was proposed by the OSCPA. The bill would allow certified public accountants licensed in other jurisdictions to practice in Oregon without notice or fee. Steve McConnel, CPA, was the designated spokesperson for OSCPA. He stated that the bill eliminates the notice and fee requirements for individual licensees, but does not eliminate the registration requirement for public accounting firms who perform attest services in Oregon. Ohio and Wisconsin have proposed legislation language that is similar to SB 748. The purpose of the bill is to facilitate mobility for the practice of public accountancy between states.

McConnel advised the Board that he has no authority to make an agreement with the Board, but will take any proposal resulting from this meeting to the legislative committee.

Mr. Gaffney observed that the Board has not had sufficient time to consider the broad effects of SB 748, and suggested that the bill may present an opportunity to address the Oregon licensing requirement for preparation of 1040 tax returns. This is an issue that sets Oregon apart from other states in terms of mobility, and change here would be a step forward.

Mr. Bailey noted that 47 states adopted the UAA in some manner, but no two states adopted in the same manner. Some states have a lengthy process under Substantial Equivalency standards. Oregon expedites the process. Substantial equivalency applications are approved and issued within 24 to 48 hours, which meets the intent of the original provisions of UAA Section 23.

The Board expressed the following concerns about the "no notice, no fee" provisions:

- How will the bill impact complaint, enforcement and prosecution issues
- There is no way to know the number of licensees from out of state practicing in Oregon
- How will the Board process complaints to or from other states
- Will the number of complaints increase as a result
- How will the Board pay for the investigations without offsetting revenue
- A fee increase may be necessary to provide revenue for enforcement issues
- Oregon should not take the lead in adopting these provisions

Board members are concerned about public protection in Oregon. Out-of-state CPAs should be subject to the same professional and disciplinary standards as Oregon licensees. The state that issues a CPA license may not take disciplinary action for conduct that occurs in Oregon. Dover advised the Board that states have no authority to impose a duty upon another state except through an interstate compact or agreement. There are no guarantees in SB 748 and many unknowns. The administrative rules would require a close review for revisions required under the proposed bill.

The Board questions why the OSCPA is rushing the bill through the legislative process, without allowing sufficient time for deliberation. McConnel responded that if nothing is done now, they will have to wait for two years for the legislature to meet again. If Board concerns cannot be resolved, the OSCPA would like to change the licensing requirement in ORS 673.610, under the Tax Board's regulation.

The Board agrees that licensed CPAs should not have to register with the Oregon Board to prepare tax returns in Oregon, but that is not the way Senate Bill 748 is written. Rives stated that neither the Oregon Department of Revenue nor the Oregon Tax Board have expressed concerns about licensed CPAs who prepare Oregon tax returns, however both agencies would need to be consulted. The Board and OSCPA representatives agreed that an amendment to remove the Oregon licensing requirement for preparation of Oregon tax returns would be a positive step toward greater mobility, and that it would be appropriate to assemble a task force to discuss the broader issues. Mr. Besemann stated that OAIA would not object to a revision to ORS 673.610 that exempts all licensed CPAs from the licensing requirement.

McConnel indicated that OSCPA may agree to abandon efforts to move forward with House Bill 748 if the licensing requirements for tax preparation can be changed.

**BOARD ACTION:** Moved by Johnson and carried to:

- Oppose Senate Bill 748
- Support an amendment to Senate Bill 748 to exempt certified public accountants licensed in other jurisdictions from the licensing requirement in ORS 673.610.
- Revise rules to prevent holding out violations for individuals who prepare tax returns under the proposed amendment.
- Assemble a taskforce to consider the full impact of the provisions in the current Exposure Draft of the Uniform Accountancy Act, and present legislation that is agreeable to the Board and OSCPA in the 2009 Legislative Session

**VOTE:** Unanimous

Chair Klimowicz and Jens Andersen agreed to provide testimony against SB 748 if OSCPA does not agree with the Board's action.

### **SENATE BILL 5501 (Attachment B)**

Rives explained that the budget proposal before the Board was requested by the General Government Subcommittee of the Joint Ways and Means Committee. The proposal responds to the budget committee's requests, including the development of strategies to eliminate the complaint backlog, to reduce the ending balance and to provide public access to licensee disciplinary records on-line. The strategy to reduce the backlog would create a pool of qualified individuals to conduct investigations according to each person's expertise. The pool would also provide expertise for complex complaint investigations that are currently bid on a case-by-case basis. The Board would maintain an accounting of Program costs, and provide a

progress report to the legislature after one year, and program evaluation at the next budget review. Funds appropriated but not used remain in the Board's reserve funds.

The proposal also includes a request to withdraw the Board's request for a policy package for on-line licensing. Rives noted that staff resources are not sufficient to undertake all of the programs currently proposed for the 07-09 biennium, and we have no IT expertise on staff. Rives recommends that on-line licensing be delayed until the 09-11 biennium.

The Proposal has not yet been presented to the legislative budget committee.

The Board agrees that the complaint backlog must be addressed. To date efforts have included volunteer hours by committee members and additional board time. The Board investigator (Ms. Kitterman) is very experienced and has been very efficient in processing complaints. However no one person has expertise in every area of practice. The pool of investigators would provide expertise as it is needed by the Board. Board members do not believe that hiring staff for a limited duration position would be efficient. Training requirements would take away from Ms. Kitterman's effectiveness and would involve additional overhead. This program will also allow the Board to determine whether we need to increase our FTE.

Mr. Gaffney observed that we do not have control over the backlog, and believed that current efforts to reduce the number of complaints have been adequate. Bailey pointed out that the Board is receiving more complaints each year, and many more complaints that relate to audit issues. There is also concern that PCAOB reports may result in additional investigations. Individual board members expressed approval of the flexibility provided by the proposal to handle the complaint backlog. The Special Procurement Program will achieve the following:

- Eliminate the current backlog over a two year period
- Prevent a recurring backlog by creating a continuous pool of qualified investigators to manage complex complaint cases
- Allow staff investigator to efficiently manage current complaints
- The ending balance will fund the Program, thus reducing the ending balance, which is also a concern of the budget committee.
- The Board will also withdraw the on-line licensing proposal.

Karey Schoenfeld, CPA, expressed concerns about cutting the budget for on-line licensing and OSCPA's desire that this be accomplished. Mr. Andersen responded that it is manpower and expertise, rather than funding that concerns the Board. The Board does not have IT staff, and we are not ready to go forward with the project at this time. McConnel suggested that OSCPA would actively support efforts to accomplish on-line services. Mr. Andersen suggested that a collaborative approach would be helpful.

**BOARD ACTION:** Moved by Bailey and carried to approve the Proposal for HB 5501 presented by the Administrator.

**VOTE:** Unanimous

The meeting was adjourned at 6:15 p.m.