

**OREGON BOARD OF ACCOUNTANCY
2010 SPRING WORK SESSION MINUTES**

**Sunday May 16, 2010
Eugene Hilton & Conference Center
Vistas 2**

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

Working lunch will be provided

Board Members Present

Ray Johnson, CPA, Chair
Roberta Newhouse, CPA, Vice-Chair
Jessie Bridgham, CPA, Treasurer
Kent Bailey, CPA
Ann Ferguson, CPA
Stuart Morris, PA

Guests Attending

Cheryl Langley, OSCPA
Debbie Hollingsworth, CPA, OSCPA
Charles "Al" Crackenberg, PA
Roger Graham
Suzanne Jolicoeur, AICPA

Staff

Pat Hearn, Executive Director
Noela Kitterman, Investigator
Kimberly Bennett, Committee Coordinator
Susan Bischoff, AAG

1. Call to Order

Vice-Chair Newhouse called the meeting to order at 9:35 a.m. and announced the meeting was being recorded. Guests were welcomed and introduced. The Governors office will confirm Mr. Crackenberg and Roger Graham on May 22, 2010. Mr. Crackenberg is a licensed public accountant and will replace Stuart Morris, PA. Mr. Graham will serve as the public member, replacing Eric Lind. Debbie Hollingsworth is the new Board liaison from the OSCPA. Mr. Morris was appointed as process observer for the meeting.

2. Administrative Matters

A. Administrative Rule Revisions

1) Division 005 – Definitions

General housekeeping revisions were made to Division 005. Definitions were revised to match statutory language.

a) Practice of Public Accountancy Definition

The Board reviewed the current definition for "practice of public accountancy" in order to determine if licensees outside the public accounting arena are practicing public accountancy. In many instances, licensees in private industry elect to put their license on inactive status, yet are preparing financial statements and other documents that can be considered the practice public accounting under the current definition. Mr. Bailey noted that the Uniform Accountancy Act (UAA) removed definitions from both the 'practice of public accounting' and 'holding-out'.

Board members would like to review the UAA and model the Oregon Administrative Rules to more closely mirror UAA. The legislative task force will review these rules and work with the OSCPA to develop a legislative concept to remove the term inactive from statute.

b) Retired Status / Inactive Status

Currently the Board's rules state that inactive licensees may not hold out to the public or otherwise engage in the practice of public accountancy. There is confusion amongst licensees to what the practice of public accountancy covers, especially when employed in industry, government and education. The Board discussed removing the "inactive" status altogether and therefore, licensees who currently have an inactive license would need to evaluate the need to reactivate their license or simply let it lapse.

The Board understands the removal of inactive status affects many licensees and therefore will establish an outreach program and transitional procedures for getting licensees in compliance. Currently, the only difference between reinstating an inactive to active permit vs. a lapsed permit to active status is the amount of money paid to the Board. The Board suggested aligning the lapsed reinstating requirements to match inactive and therefore there is not such a burden to licensees.

In addition to removing inactive status, the Board would like to establish a 'retired' status. Licensees who would like to place their license on 'retired status' would go through an application process which would be reviewed and approved by the Board on a case by case basis. This status would be irrevocable.

Chair Johnson would like to form a task force with members from the Board and the OSCPA to review portions of the UAA and discuss development of a legislative concept to remove inactive status from the statutes.

c) Censure Definition

Staff drafted language for a censure definition for Board review: An official expression of reprimand, by Board action, to a licensee, for specified conduct. The Board will add this to the administrative rule revisions to be effective January 1, 2011.

2) Division 010

a) Municipal Permit & Application Fee (\$200)

Currently an application for issuance of a municipal permit is \$100. This fee includes processing an application as well as the issuance of the permit. If an application for the municipal license is denied, the \$100 fee paid is refunded. The processing of an application takes significant staff and committee time. The Board recommends an additional \$100 application fee to the municipal permit fee of \$100 for a total of \$200. Only the \$100 permit fee is eligible for refund if the application is denied.

b) Reciprocity Rule

The Board reviewed an application for certification through reciprocity at their December 2009 meeting. The applicant initially applied for a license in Oregon and

was denied administratively for lack of competencies. He withdrew the application and subsequently received a license in the State of Illinois. One week after receiving the license he reapplied for an Oregon permit through reciprocity from Illinois.

The Board asked to review the reciprocity rules to see if they could be revised so that this circumstance would not happen in the future. Susan Bischoff, AAG advised the Board that requiring an applicant to be licensed for at least xxx number of years before applying in Oregon by reciprocity is not advisable. The Board cannot require applicants to be residents of the State of Oregon or a US Citizen.

c) Increase Firm Renewal Late Fee

Firm renewals are due biennially by December 31. Office policy is to allow a 30-day grace period for firms to renew the registration. Renewals received after December 31 must pay the current late fee of \$35. Approximately 10% of firms file the renewal after the deadline. In order to encourage firms to renew more timely, the Board recommends increasing the late fee to \$175.

d) Qualification Committee Recommended Revisions

1. Supervision of CPA Applicants

The Qualifications committee has encountered many instances in the recent history where the connection between the supervisor licensee and the applicant was not sufficient to demonstrate adequate time spent actually supervising the applicants work product. In an effort to enhance the supervision rules the qualifications committee has recommend adding the words "regular and meaningful interaction between supervisor licensee and the person being supervised". Regular and meaningful was defined as at least four hours per week or a minimum of 16 hours per month. In addition at least 25% or xxx # of months of an applicants required experience must be gained under the direct supervision of a single supervisor licensee.

The Committee proposed the elimination of the option to have a Chartered Accountant serve as a supervisor licensee. The Board rejected this proposal due to the fact that the requirement to allow a Chartered Accountant to serve as a supervisor licensee is in statute. In addition, Board members familiar with the Chartered Accountant certificate noted that they are very qualified to serve as supervisor licensees.

The Board likes the proposed change and would like staff to develop a tool to send to applicants and their supervisor licensees to help them evidence their 'regular and meaningful interaction'. This tool would be sent to the applicant once the examination is passed.

2. Increase amount of experience for Industry/Govt Applicants

The Qualifications committee recommended to the Board that applicants who receive their experience in private industry, government or other similar fields obtain an additional year of experience over applicants who receive their experience in public practice. It was also proposed that instead of referring to the experience time

in years, begin requiring an hourly requirement, i.e. 2000 hours for public accounting applicants and 4000 hours for private industry, government and other.

The Board was in favor of the additional year (2000 hours) experience for private industry and similar fields, but would like the committee and/or staff to determine a definition of what does NOT constitute an hour. For example, holiday hours, vacation and personal leave, overtime.

a. Need to determine transitional language

The Board recommends transitioning the additional experience requirement by requiring candidates who pass the CPA examination after the effective date of the rule, January 1, 2011 to obtain the additional 2000 hours.

3. Registration of Business Organizations (OAR 801-010-0345)

The rules for requiring a firm to register in Oregon were unclear when an individual who is located in another state but has an Oregon licensee responsible for attestation work. The rule only addresses licensees who are substantially equivalent and not Oregon permit holders.

The Board agreed that clarification is needed and advised staff to make the necessary change to the rule.

4. Procedures for Complaints (OAR 801-010-0190)

The rule for the procedures for complaints has not been updated since 2002 and therefore does not reflect current procedures. Revisions were presented to the Board, some additional revisions were made and will be presented at the next meeting for approval.

B. Board Officers

The Board reviewed the duties and responsibilities for each position, Board Chair, Vice-Chair, Treasurer and Board member. Chair Johnson noted that if the Board gains semi-independence status, the role of the treasurer may be more involved as far as oversight on the finances.

C. Board meetings

1. Participation by licensees

The Board reviewed the policy on participation by licensees at Board and committee meetings. Chair Johnson would like to continue to encourage licensees to come before the Board and give a statement, it is beneficial to Board members. Legal counsel advised Board members that if the licensee or complainant come before the Board it is imperative that proper minutes are taken to reflect the discussion.

The concern is the amount of time given for discussion and questioning the licensee. Legal Counsel, Mr. Hearn and Noela Kitterman will discuss and bring a recommendation to the Board at their next meeting.

2. **Participation by Board members – No Item**

3. **Board actions – No Item**

4. Public meetings law

Board members were reminded that when four or more members are together it is a quorum and therefore a meeting. When at dinner or other such events, do not discuss board business. In addition, legal counsel reminded the board that everything created in a meeting is public record and to be careful of notes etc. written in a public meeting. She suggested board members create a separate file in their email system to store board business emails.

5. Ethics law

Mr. Hearn went over the ethics laws and conflict of interest requirements pertaining to state government.

D. Administrative Procedures Act

1. Contested Case Hearings

Susan Bischoff, AAG gave a presentation on the Administrative Law and Contested Case Process. The method of recommendations on complaint cases has been changed, in that, the complaints committee will only advise the board if they believe there is sufficient evidence to move forward with a sanction. The Board expressed its concern of assessing or proposing to assess a penalty on the individual when the Board itself has not had the opportunity to review or hear the facts. The Board believes that having the individual attend the meeting gives them more understanding of what happened and does not create a bias of opinion.

The Board would like to continue to encourage the licensee to attend the complaints committee meetings where it is more appropriate for asking questions to obtain the facts before making a recommendation to the Board. The Board would also like to continue to invite those individuals to attend the Board meeting, where they may or not be asked questions for further understanding of the facts. Chair Johnson noted that the Board only receives the summary of the investigation and because the Board is the body that will place a sanction on the proposed violations, a transcript from the complaints committee meeting may be necessary to gain a full understanding of all the facts.

2. Alternative resolution (settlement) – defer

3. Professional and Regulatory Issues

A. CPE for Committee Members

The Executive Director received an inquiry about giving CPE credit for serving on a Board committee. The Board is unsure how the credit would be calculated and whether it would be considered technical or non-technical. It was noted that it would also be hard administratively to determine. The Board would like to continue to not allow CPE for serving on Board committees.

B. 2011 Legislative Concepts

1) Confidentiality during complaint process

A legislative concept was put forth on the issue of keeping a complaint confidential until a Notice of Intent was issued. The proposed language was taken directly from the Tax

Board statutes, which has been in place for many years. Mr. Hearn subsequently received a phone call from the Governor's office requesting additional information to support the legislative concept.

Mr. Bailey noted that the proposed language says the complaint will be held confidential until final order, but after Ms. Bischoff's presentation this morning, believes it is more appropriate to say 'until on the Board agenda' for consideration. Ms. Bischoff recommended changing the language to read, "after notice of intent is issued".

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Mr. Hearn will follow-up with the Governor's office and keep the Board apprised of any action.

Adjourn at 5:30 p.m.