

OREGON BOARD OF ACCOUNTANCY
WORK SESSION MINUTES
May 22, 2011

Inn at Spanish Head

El Toro Room

Lincoln City, OR

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

BOARD MEMBERS:

Dr. Ray Johnson, CPA, *Chair*
Roberta Newhouse, CPA, *Vice Chair*
Jessie Bridgham, CPA, *Treasurer*
Kent Bailey, CPA
Al Crackenberg, PA
Ann Ferguson, CPA (*in at 9:10*)
Dr. Roger Graham, *Public Member*

BOARD STAFF:

Pat Hearn, Executive Director
Kimberly Bennett, Exec. Assistant
Noela Kitterman, Investigator
Susan Bischoff, AAG

GUESTS:

Michele Hennery, CPA, OSCPA Board Liaison
Debbie Hollingsworth, CPA, OSCPA Representative
Stuart Morris, PA, OAIA Representative

EXCUSED:

1. CALL TO ORDER

Vice Chair Newhouse called the meeting to order at 9:00 a.m., and announced the meeting was being recorded. Mr. Crackenberg was asked to serve as process observer for this meeting. Representatives from the OSCPA and OAIA were welcomed.

2. REVIEW OF LEGISLATIVE SESSION

HB 2067, the bill that requires enforcement activity to be held confidential until action is made by Board was approved and signed by the Governor, with an effective date of May 13, 2011. Board staff will develop procedures for maintaining confidentiality throughout the process. Chair Johnson suggested contacting the health care agencies who have had similar law in place for some time now.

HB 3181 was a bill that was put forth by the OSCPA to "clean-up" the inactive and lapsed statuses. This bill passed both the House and the Senate and has been signed by the Governor; however, it does not have an emergency clause and therefore will be effective either 90 days after the end of the legislative session or on January 1, 2012. The bill limits the period of time a license can be in lapsed status to 6-years (3 renewal periods). If not activated within that time frame, the license will expire and may not be reinstated without just cause approved by the board.

The bill also provides that inactive licensees may not work in a public accounting firm and may not perform or offer to perform services involving the use of accounting or auditing skills including, but not limited to, issuance of reports on financial statements, management

advisory, financial advisory or consulting services, preparation of tax returns or the furnishing of advise on tax matters. Board staff will draft notice to licensees of these changes.

HB 3180 was the semi-independence legislation. This bill started in the House General Government Committee, passed unanimously and was referred to Ways and Means. One Co-Chair of the committee had a general opposition to boards seeking semi-independent status and “killed” the bill.

Ms. Bridgham suggested the Board develop a plan that includes internal controls, checks and balances and day to day operations as a semi-independent agency. The Board will form a task force with Jessie, Roberta and Pat to develop a strategy for next session.

SB 5501 was the Board’s budget bill. This bill has passed through committees and has been signed by the Governor. The budget included two policy packages; reclassification of a position and contract investigator expenses. The reclassification package was to change the Executive Support Specialist 2 position, held by Kimberly Bennett, to an Executive Assistant position. This package totaled around \$8700 for the biennium. The other was to set aside \$50,000 to use for any contract investigators necessary during the 2011-13 biennium. The reclassification package was not approved by the Ways and Means subcommittee on General Government; however, costlier reclassification requests were approved by the Education subcommittee, for the Board of Chiropractic Examiners and the Psychologist Examiners two days later.

3. Proposed Administrative Rule Amendments

Board staff went through each division of the administrative rules and replaced the term “permit” and/or “certificate” with the term “license”.

A. Division 050

A proposed amendment would require a firm to send proof of enrollment and date of initial review within a specified number of days. This will aid staff in tracking when a report is due to be sent to our office.

A proposed exception would give the Board authority by rule to waive a peer review requirement or allow an extension of time under extenuating circumstances. Ms. Bischoff, AAG, will work with Kimberly on this language.

B. Division 010

1. Supervisor licensees

Proposed revisions to the supervisor licensee rules were presented to the Board for review. The revisions would require that the licensee supervising an applicant be licensed in the state where the supervision takes place. The reasoning behind this rule amendment is that the Board is seeing more and more applicants obtain supervision in Oregon by someone that is not licensed to practice in

Oregon. A new rule was added that states that any period of supervision by a non-qualifying supervisor licensee will not count toward the fulfillment of the experience requirements.

Discussion: Some members of the Board believe that a CPA = CPA no matter what state they hold a license in. However, in terms of certifying to an applicant's experience, in public accounting or the equivalent, the person should at least be licensed to perform the work they are certifying. The Board also discussed a transitional period and if having a license, at the time of signing or during the entire period of supervision, is necessary.

The board also discussed the rule that allows a consultant or independent contractor serve as a supervisor licensee. The Board has not seen a situation where this type of supervision meets the intent of the rules and agreed that it should be removed from the administrative rules.

2. Pro-Rated fees for new licensees and firms

Currently, if an individual is granted an initial license or firm registration within two months from the expiration date, the fees for the remainder of that renewal period are waived. When an initial license or firm registration is granted with more than two months remaining in the renewal period, the full two-year fee is assessed. It is suggested, by Board staff, prorate fees more equitably. Board gave the go ahead to move forward with drafting such a rule.

3. Renewal Period Dates

A change of the renewal period was brought forward for discussion purposes only. As the Board moves closer to online licensing, it may be a good time to change the expiration date for licenses to birth month or granted month rather than June 30. The Board does not want to change the expiration date at this time.

4. Inactive – Retired – Lapsed Status

Inactive

Board staff drafted revisions to the inactive status rules due to the passage of HB 3181. The Board is proposing that licensees on inactive status be required to obtain a minimum of 32 hours of continuing professional education every biennium, including 4 hours in ethics.

In addition, a person who chooses inactive status may not practice public accounting in a firm that is required to be registered by the Board (CPA firm) as a sole practitioner.

Discussion: Requiring inactive licensees to take CPE forces them to stay current and, if they decide to return to active status, there is some continuity. Mr. Graham recalled the board struggling with inactive status as it related to the definition of 'practice of public accounting'. Chair Johnson received a side by side comparison of our statutes where it references 'practice of public accounting' prepared by Steve McConnel on behalf of the society.

Retired

Staff drafted a definition for retired status that would allow a licensee who has held an active license for 20 plus years to apply for a retired status. If granted, the individual may not perform any accounting services for direct or indirect compensation.

Lapsed

The legislation provides that a licensee may let the license lapse, but if lapsed for 6 or more years, the license expires and they must re-apply as a new applicant (no reinstatement provisions). The Board discussed if the period would be consecutive or cumulative years. Ms. Bischoff believes the statute considers the timeline to be consecutive.

Due to all the statutory changes with the different designations, the Board determined that a task force would be helpful to draft language for the definitions, reinstatement requirements, and what forms of practice are allowed under each designation. Roger Graham and Ray Johnson volunteered to serve as the board representatives, staff will ask Steve McConnel and Larry Brown if they are willing to participate as well.

5. Division 005

Various definitions are proposed to be amended for clarification. Definitions for lapsed and retired were also proposed. The task force will be working on this division and make recommendations for the Board to consider.

C. Educational Requirements Study

Dr. Graham did a study on the educational requirements of different states and how it related to the performance on the examination. Oregon ranks high with its pass rates considering the accounting requirement is low. Oregon allows accounting courses from community college (100 and 200 level) which can make up 8 of the 36 required hours. Some states require specific courses such as auditing or managerial accounting.

The purpose of the 150-hour requirement was to produce a well rounded CPA. It is allowed in some states to sit for the examination with 120 hours and require 150 to get the license. The study also showed that applicants who went on to get their graduate degree did better on the exam than candidates who received their undergraduate and then took 'filler' courses to qualify.

D. UAA Exposure Draft – Firm Names

The Board reviewed the draft on changes to firm names and network firms. Oregon has not had too many issues with misleading firm names. The Board did see potential for issues with network firms and peer review. Staff will track the progress of the exposure draft and update the Board.

E. Delegated Authority

A list of approved delegations of authority was presented to the Board. The listing has not been updated since 2005. There are a few items that Mr. Hearn would like added to the list for efficiency purposes.

Mr. Hearn would like the board to consider delegating authority to him to sign all Notices of Intent to discipline, sign subpoenas and sign stipulated final orders that are approved by the Board and not significantly changed. The Executive Director would not sign any order that had been substantially changed after being approved by the Board.

Ms. Ferguson requested that an item list be on each Board agenda outlining what has been signed by the Executive Director since the last Board meeting.

The Board would like staff to develop a new delegation of authority list with the new items added for review at the next meeting.

F. Planning for Semi-Independence

The Board expressed the desire to move forward with moving the Board to a semi-independent status at the next legislative session. In order to be well prepared, a task force will be formed. Ms. Bridgham, Ms. Newhouse and Mr. Hearn will work on strategies, internal controls and developing a business plan for next session.

G. Board meetings

It has been suggested that we change the order of items on the board agenda to better facilitate guests and licensees who are the subject of complaints. Mr. Hearn also referenced the “Roberts Rules of Order” in which a 2nd on votes is not required. A draft revision of the Board’s mission statement was presented to the Board for review.

These items will be deferred to the next meeting for discussion.

H. ADJOURN at 4:10 p.m.