

**OREGON BOARD OF ACCOUNTANCY**

**2004 FALL WORK SESSION**

**AMENDED MINUTES**

**Hood River Best Western**

**Hood River, Oregon**

**Sunday, October 24, 2004**

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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**

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

**Staff Members**

Carol Rives, *Administrator*  
Noela Kitterman, *Investigator*  
Kimberly Bennett, *Cte. Coordinator*  
Joyce Everts, *Cte. Coordinator*

**Excused**

**Guests Attending**

Jim Aldrich, PA, OAIA Rep.  
Doug Henne, OSCPA  
Phyllis Barker, OSCPA  
Christine Chute, Asst. Attorney  
Gerald Burns, CPA  
Parry Ankersen, CPA  
Sandra Suran, CPA  
Ray Johnson, CPA

**1. Call to Order**

Vice Chair Jim Gaffney called the meeting to order at 9:00 a.m.

**A. Appointment of Process Observer**

Kent Bailey was appointed process observer.

**B. Introduction of Guests**

**2. Professional Issues**

**A. Peer Review Task Force Preliminary Report**

Jens Andersen, Gerald Burns and Parry Ankersen presented the Preliminary Report submitted by the Peer Review Task Force. The Report is attached to and made a part of these minutes (Attachment A). Andersen commended the members of the Peer Review Task Force for working together to accomplish a difficult job.

All firms doing attest and audit are required to enroll in a Peer Review program. Information contained in the Peer Review Report is confidential and neither the Peer Reviewer nor the firm disclose the results of the Peer Reviews to the Board. The Peer Review Task Force expressed the following concerns with regard to the Board of Accountancy being included in the Peer Review process:

1. *Fear that the Peer Review Program will be associated with the Board disciplinary program.*
2. *Fear that the Peer Reviewers may issue less than honest reports.*
3. *The Board may become a super RAB.*
4. *The information may be improperly released and cause harm to the firm.*
5. *The report classifications that are used in the program may not be understood.*
6. *Self reporting may be treated as a self generating complaint.*
7. *The reasons for a negative report may not present risk of public harm.*

The Program has been well run and the reviewers have done a good job. The Board needs to have protective procedures in place to allay concern of the Peer Review Program.

After concurring with the recommendations presented in the Peer Review Report and confirming that the Task Force achieved consensus on the content of the Report, Gerald Burns discussed the need for transparency from the Regulatory viewpoint. Burns stated that Peer Review is designed to protect the public and ensure competence of the licensee. The UAA has implemented a new rule defining how Boards should deal with Peer Review and each jurisdiction is trying to comply with the UAA. The UAA rule is reflected in the work of the Task Force, with the major difference being the trigger for self reporting; UAA rule designates reporting on the first adverse report and the Task Force Report recommends reporting on the second adverse report.

This report is attempting to be as fair as possible to the firms. Most firms improve after the first adverse report.

**Board Discussion:** *Return the preliminary report to the Peer Review Task Force with the following requests: Add a separate bullet to #1. Self Reporting Requirements: "one (1) adverse system review report and remove "and/or adverse" from "two consecutive modified system review reports". Reword #2. Reporting requirements with firm registration renewal: Change the requirement for firms to submit their last three (3) peer review reports to the requirement for firms to submit their most recent peer review report. Clarify #3 Board Monitoring functions: Clarify Board intent to initiate inquiry/investigation resulting from reporting requirement. The Board will review reports submitted. The Board may initiate further investigation when necessary. Reporting requirements alone will not constitute a basis for disciplinary action.*

#### **B. IRS Form 990 Letter, Charitable Contributions**

Mr. Burns provided the Board with his response to the letter that Reed Drew of Department of Justice directed to Oregon licensees. The DOJ letter proposed that accountants prepare IRS Form 990 using a standard equal to that used to prepare an audit. Preparing a Form 990 using this standard would require licensees to test or verify the information from the not for profit organization. Burns contends that this expectation is an unreasonable request to make of tax accountants, who are not expected to audit information that their clients provide.

#### **C. Legislative Proposal, Municipal Audit Requirements**

Mr. Burns discussed a memo relating to municipal audit requirements that he mailed to Phil Hopkins and to Rob Patridge, former state representative. Mr. Burns did not ask the Board to take action. The Board thanked Mr. Burns for his continued interest in the profession. A copy of the memo is attached and made a permanent part of these minutes.

#### **D. NASBA Regional Conference Reports**

Stuart Morris, Chair, and Carol Rives, Administrator, attended the NASBA Western Regional Meeting and Anastasia Meisner attended the Eastern Regional Meeting. Ms. Meisner found that the new board member orientation was very helpful and recommends all new board members attend. Points of interest from both conferences well discussed.

#### **E. Refund Anticipation Loans: HB 3381**

Representative Butler introduced a bill in 2003 that would require organizations that offer refund anticipation loans (RAL) to register with Department of Consumer and Business Services and disclose loan fees. The Board agreed this bill is important for public protection and the Board would support such a bill.

#### **F. Dept of Revenue Legislative Concept 318**

The Department of Revenue sent the Board an email regarding a legislative concept that ties representation before DOR to the IRS representation criteria. They asked that the Board review and make comment. The Board has no comment on the bill.

#### **G. Continuing Violations: OAR 801-030-0020 (13)**

The Board reviewed the proposed administrative rule for continuing violations and a proposed letter regarding the rule for distribution to all Oregon licensees. The letter will not be distributed until the Board approves the rule.

The letter is a means to advise the profession of current information. The words "after date of notice" appear in the letter, but not in the rule. Either the letter or the rule needs to be changed. It was agreed that staff should modify the letter and mail it after the December 2004 Board meeting.

#### **H. Outsourcing Professional Services**

##### **1. AICPA Exposure Draft**

Omnibus Proposal of Professional Ethics Division Interpretations and Rulings Information was provided to the Board. No action was taken.

##### **2. California Proposed Rule**

Information was provided regarding California's Information Digest and Policy Statement Overview. No action was taken.

##### **3. OAR 801-030-0015**

No action was taken.

##### **4. Texas Comments**

Texas issued a statement on the Omnibus Proposal of Professional Ethics Division Interpretations and Rulings. No action was taken.

#### **I. Background Checks**

Research into cost of requiring a background check was provided. Costs are minor except when the findings are contested. Costs of contested background checks could be as much as \$3,000. Another option is to use fingerprinting only. Fees for fingerprinting are less than \$40 per applicant.

There are questions about obtaining background information on international applicants. It was agreed that additional research was needed to answer Board questions. At this time, the Board will continue to process applications without background checks or fingerprinting.

### **3. Administrative and Staff Reports**

**A. Draft Report Prepared by Legislative Fiscal Office for Legislative Audit Committee**

The draft report is a Legislative review of Boards and Commissions. The impetus for the review originates from a budget note in HB 5053 (2003) that requested the Joint Legislative Audit Committee to review the operations of the Boards of Accountancy and Tax Practitioners for possible efficiencies by combining their support activities. The report includes an assortment of information; however, there is no finding or discussion concerning a merger of Accountancy and the Tax Board. Semi-independence is not moving forward, however, the reviewers did note that semi-independent agencies generally operate in the same manner as other agencies.

**B. 2005-07 Budget Preparations**

**1. Governor Kulongoski Press Release**

Governor Kulongoski issued a press release outlining the "Oregon Principles" budget process used to develop the 2005-2007 budget.

**2. Agency Request Budget, after DAS Audit**

The BAM Analyst Report and Recommendations was reviewed. No action.

**3. Performance Measures**

The Annual Performance Progress Report was reviewed.

**C. Website Statistics**

The Board reviewed current website statistics.

**D. Accounts Receivable**

**1. 03-04 Report to Legislative Fiscal Office (LFO)**

Information Only

**2. 02-03 Report to Legislative Fiscal Office (LFO)**

Information Only

**E. Administrative Rule Development**

**1. Last day for written comments November 17, 2004**

**2. Rules to be approved at December 2004 meeting**

The Board will hold an Administrative Rule Hearing on November 17, 2004 at the Board office in Salem. Mr. Morris will preside.

**F. Licensing**

**1. Individual Licensing**

The following reports are attached and made a part of these minutes.

**a. Current Licensee Statistics** (Attachment B)

**b. New Certificates Issued 99-current** (Attachment C)

**c. Annual Renewals** (Attachment D)

**2. Exam**

**a. Paper and Pencil Exam Statistics**

The Board reviewed an annual report of the CPA examination. The report included statistics on pass/fail rates from the paper and pencil exam. A copy of the report is attached and made a permanent part of these minutes. (Attachment E)

**b. CBT Exam Statistics**

The Board reviewed statistics on the total number of applications received for the CBT CPA Exam and the number of candidates who have passed all sections. A copy of the report is attached and made a permanent part of these minutes (Attachment F).

**3. Enforcement**

**a. Complaint Case Statistics**

Information Only