

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

**Sunday October 3, 2010
Sunriver Resort
Great Hall**

*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
Al Crackenberg, PA
Roger Graham, Public Member

Excused

Ann Ferguson, CPA

Guests Attending

Cheryl Langley, OSCPA
Debbie Hollingsworth, CPA, OSCPA
Stuart Morris, PA, OAIA

Staff

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

1. Call to Order

Vice-Chair Newhouse called the meeting to order at 9:08 a.m. and announced the meeting was being recorded. Guests were welcomed and introduced. Mr. Graham was appointed as process observer for the meeting.

2. Possible Amendments to Administrative Rules

- A. Administrative Rule Revisions
(1) Division 005 – Definitions

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

Inactive Status

The Board reviewed the past discussions and revisions to the definition for inactive status. The Board's current rules state that inactive licensees may not hold out to the public or otherwise engage in the practice of public accountancy. The rule also states that if they do use the CPA or PA designation, they must include the word "inactive" after the term. This is contradictory to the intention of the rule.

Licensees are confused as to what activities the "practice of public accountancy" includes, especially when employed in industry, government and education. The Board discussed eliminating "inactive" status. Licensees who are currently inactive

would then need to reactivate their license or let it lapse. The Board reiterated that inactive licensees would not be permitted to practice accounting in any manner or use the terms CPA or PA in any form, including Inactive CPA or Inactive PA, CPA Inactive, or other variations. The Board would like the rules to clearly state that certificate holders who own, are a partner, shareholder, or employee of a CPA firm must have an active license. A majority of the Board concurred.

Staff will draft a rule with the changes noted above, for the Board to review at the Board meeting on October 4, 2010.

Retired Status

The Board discussed the creation of an irrevocable status for individuals who are retired from the profession. Retired status would be available to licensees who have held an active license for a minimum of 20 years, have become permanently disabled or are no longer gainfully employed in the profession of accounting. Board staff will draft the rule for Board review on October 4, 2010.

(2) Practice of Public Accountancy

The Board once again reviewed the “practice of public accountancy” as it is defined in Division 005. The Board recognizes that this definition affects many other sections of the rules as well as the statutes. Careful consideration must be made to not contradict statutes already in place. Samples of other State Boards of Accountancy definitions were included for Board review. Oklahoma has a definition that the Board felt was at least a good start toward their goals. The Board also suggested changing the term to “practice of accounting”, leaving out the term “public”. The Board agreed that staff should draft a rule based on the Oklahoma definition of public accountancy for rule filing purposes. Further revisions and reviews will be made prior to the adoption of the rule changes.

(3) “Censure”

Staff drafted the following language for definition of “censure” 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.

(4) Possible inconsistencies with 801-005-0010 (12),(25),(26),(35) and (38)

These possible inconsistencies relate more or less to the practice of public accountancy definition needing to be revised. These other definitions will be looked at again once the practice of public accountancy definition is finalized.

B. Division 010

(1) Qualifications for Certification 801-010-0065

The Qualifications Committee wrote proposed rule revisions for Board review. The committee originally recommended that applicants, who gain their experience in industry or government, be required to obtain an additional year (2000 hours) of experience. While the committee still believes this is the right direction for the Board to head, it would require a statutory change. The Board discussed this recommendation at their meeting and determined that the experience qualifications are based on competency, not hours or months. They are not willing to change this requirement at this time.

The Qualifications committee has encountered many instances in the recent history where the time spent by the supervisor licensee actually supervising the applicant's work was very inadequate. 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 a specified number of months, of an applicants required experience, must be gained under the direct supervision of a single supervisor licensee.

The Board agrees with this concept; however, would like to replace the 25% and replace it with a 3-month requirement, which is the equivalent time frame.

(2) Procedures for Complaints

This rule change was discussed at the May 2010 work session. Staff made the noted revisions and the Board accepted the draft with one minor change to (6).

(3) Firm Rules

a. Branch Office Requirements

The Board's current rules state that a branch office must have a full time licensee managing the branch office during business hours. The rules provide for a waiver of this requirement. Recent waiver requests have offered to have a licensee at the branch office 20% of the open hours. The firms claim that with technology as it is, it is not as necessary to have a full-time licensee physically present at a branch office location.

The Board understands that technology certainly helps with efficiency; however, the public expects that a CPA firm will have a CPA present in the

office. Waivers to this requirement will still be considered, but the waiver must include sufficient coverage of the office.

b. Termination of a firm registration within 30 days

All firm registrations terminate on December 31. By policy, the Board allows a 30-day grace period for firms to submit the renewal form and fees. The current rules state that in order to 'reinstate' a firm registration, a firm is simply required to submit the late fee of \$35, with no explanation as to the work performed while the firm was terminated.

Staff recommends that the rules indicate the 30-day grace period and that a form be developed to require a firm to *apply* for reinstatement, similar to an individual licensee.

c. Termination of a firm registration if one named partner is suspended or revoked

The Board staff wants to be sure the administrative rules address a firm who has a named partner that is revoked or terminated. Having a revoked licensee in a firm name could be misleading to the public. Staff will research the rules to determine if a revision needs to be made.

C. Division 040

1. Reinstatement provisions 801-040-0090

Proposed rules were submitted for Board review, requiring that licensees who have been lapsed for over 5 years, have a limit on the number of CPE hours that may be obtained by self-study. The Board does not believe that self-study courses are less valuable to a licensee than classroom style courses. Changes to the rule will not be proposed at this time.

III. Professional and Regulatory Issues

A. Penalty Matrix

The Board was presented with a draft copy of the penalty matrix. The complaints committee has requested that the Board give them some guidelines about qualitative comments to the Board for assessing the penalties associated with cases wherein they have found have sufficient evidence to proceed with disciplinary findings. Dr. Johnson drafted qualitative questions that the committee could answer and then

submit to the board for review when assessing the case. Examples of these questions will be added to the matrix document.

Once the final draft is approved by the Board, it will be posted on the Board website.

B. Strategic Business Plan

A revised Strategic Business Plan was presented to the Board. The plan outlines the Board's current goals as well as goals for the 2011-2013 biennium and five year goals. Chair Johnson requested that Mr. Hearn add that the Board is considering new office space. The Board's current lease expires on July 1, 2012. Mr. Hearn expressed his concern about the lack of physical security in our current location and the fact that we pay for a lot of unused space as well as common space used by all the other agencies in the building.

Chair Johnson questioned whether the PCAOB monitoring is necessary. Mr. Hearn reported that we are monitoring the reports received, but to date, nothing of substance has been revealed.

The Board would like to begin planning financially for the possibility of semi-independent status. If it were to pass, the Board would have a short window in which to make some decisions that we must be fiscally prepared to make.

Mr. Hearn will make the adjustments to the strategic plan and present the revisions at December's meeting.

C. Municipal Auditor Grid

The Board has had an "Oregon Municipal Roster CPE Grid" on the website as a guide and tool to individuals who wish to apply for a municipal license. The grid was revised in 2009 and includes numerous "fraud type" programs in the subject area of *Audits of State & Local Government Units*.

Applicants have been taking one program, which includes fraud and other topics. Such a program usually takes more than 4 hours and applicants have been claiming all course hours as *Audits of State & Local Government Units*.

The CPE Committee concurs that, while some of the course hours are related to the subject area, they do not believe that the programs contain the minimum 4 hours in *Audits of State & Local Government Units*.

The CPE committee is continually deferring applications for admittance to the municipal roster due to this problem. Applicants are being asked to either find a new

course to fulfill the requirement or explain how the course they took satisfies the requirement.

Board members questioned why we give specific course requirements for the municipal license, but give no guidance to CPA examination students as to what courses they are required to take. Mr. Bailey explained that there used to be a municipal auditor examination, which is why the additional guidance was provided.

Mr. Bailey will work to develop the instructions and grid for the website and work with Ms. Bennett to get it onto the Boards website.

D. AICPA Ethics Codification Project

Mr. Bailey is serving on a committee with the AICPA to reformat and enhance ethics literature. The focus of the committee at this point is “threats and safeguards for independence and integrity and objectivity”. Chair Johnson commented that “ethics is ethics”, and there should be the same set of ethical conduct for everyone regardless of their employment. It is not how close to the line you can get, but rather how far away you can stay from that line.

The committee is reorganizing the code to be more user friendly and include threats and safeguards. Mr. Bailey would like the Board members to read through the material and contact him if they see a situation that is not mentioned and could be considered a threat to independence or integrity and how it should be addressed.

E. Semi-Independence Status

Mr. Hearn reported that Chair Johnson, Mr. Bailey and he had met with representatives of the OSCPA for discussion on the concept of semi-independence. At the last meeting, the concept of having a “budget committee”, comprised of members from the Board and members from the Society, essentially review and make recommendations to the Board. The Society was open to this idea, and it eased their concerns about the Board departing from legislative budgetary control.

The OSCPA Board met October 2, 2010 and voted 6-2 to *accept the concept of semi-independent status*. This topic has been discussed for the past 20 years, but has never reached this level. This is the most difficult and thought provoking. The society wants to maintain an open line of communication with the Board. The society can introduce legislation until December 2010.

F. 2011 Proposed Meeting Schedule

The Board reviewed proposed meeting dates for the 2011 calendar year. Staff will finalize and present at the December 2010 meeting.

IV. Board Committees

A. Review Committee By-Laws

The Board reviewed committee by-laws. Ms. Bennett noted that the Qualifications Committee had some procedural questions at their last meeting and it brought forward the notion that the Sturgis meeting procedures is out of date and generally not used by this Board. Mr. Hearn suggested the Board follow either Mason's or Robert's rules of procedure for meetings. Staff will amend the by-laws and Mr. Hearn will purchase the book.

B. Review Upcoming Vacancies and Possible Candidates

The Board reviewed a list of licensees who have offered their time to serve on a Board committee. Members were asked to review the list and offer any suggestions to Board staff. There will be the following openings by December 31, 2010:

Complaints Committee – 2
Qualifications Committee – 1-2
CPE Committee – 1-2

V. Additional Topics as time allows.

A. CPE Audit Selection

The OSCPA had a member/licensee call and question the Board's selection of his renewal for audit for the past two renewal periods. The society forwarded the email to the Board office. There were 306 audited reports, 11 of them were audited in the last cycle as well. The audit is computer driven and completely random. The staff does not cross check to see if an individual is being selected on a biennial basis. It is random and in order to maintain that, the current process is working.

B. Minutes on Board website

We have received a request for Board minutes to be removed from the website. The individual making the request had a complaint filed against him and claims this information is brought up when someone 'Googles' his name. He indicates that it could negatively affect his job prospects.

The Board noted that minutes are public information and put on the website for public protection and transparency purposes. They agreed to draft a policy for minutes and newsletters to remain on the Board website for 7 years.

Process Observer Report: Mr. Graham reported that the meeting was very well run and we stuck with the timelines posted on the agenda. Good work!

Adjourn at 4:40 p.m.