

**OREGON BOARD OF ACCOUNTANCY
2007 FALL WORK SESSION
MINUTES**

Sunday, October 7, 2007

Salishan Resort

Gleneden, Oregon

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

Board Members

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

Staff Members

Carol Rives, *Administrator*
Noela Kitterman, *Investigator*
Kimberly Bennett, *Cmte. Coordinator*
Heather Shepherd, *Cmte. Coordinator*

Guests

Jeff Dover, AAG
Scott Wright, CPA, OSCPA
Cheryl Langley, OSCPA Representative
Ivan Besemann, CPA, OAIA

1. Call to Order

Vice Chair Bailey called the meeting to order at 9:03 a.m., introduced guests present and appointed Ray Johnson as Process Observer.

2. Professional and Regulatory Issues

A. Mobility Task Force

The task force will conduct a planning meeting by phone conference November 5, 2007. Members of the task force include:

Jens Andersen	Scott Wright, <i>OSCPA Liaison</i>
James Houle	Steve McConnel,
Gerald Burns	Jay Broudy

The Board proposed the following questions and discussion items:

- Effect of mobility on small CPA practices
- Procedures to refer violations to home state when it appears that a CPA has violated Oregon statutes or administrative rules
- Cost of disciplinary proceedings (a) Oregon licensee conduct in other state and (b) out-of-state licensee conduct in Oregon
- Whether Oregon should establish full mobility per UAA or modified provisions

B. Sarbanes Oxley Confidentiality Provisions

The Board discussed PCAOB inspection reports that have been received by the Board. These reports consist of three parts, one of which is confidential. The confidentiality provisions prohibit the Board from investigating the quality of the work performed by firms. There is a time lapse from the date that PCAOB inspection reports are provided to state boards and the date that the board receives notice that a firm's

corrective action was accepted by PCAOB. The Board feels that their hands are tied because the inspection reports do not disclose whether the audits included in a PCAOB inspection were performed by an Oregon branch office, or for an Oregon client. Under the confidentiality provisions, information as to the specific work reviewed is not available to state boards, either from the PCAOB or from the firm under review.

The Board reviewed a letter from the Nevada Board of Accountancy revoking their confidentiality agreement with the PCAOB for the same reasons that the Board is concerned.

The PCAOB has agreed to respond to specific questions from the Oregon Board. Board members would like the PRO Committee to develop questions and request a letter of interpretation from the PCAOB. The Board will determine whether or not it is prudent to continue the existing confidentiality agreement with PCAOB based on the response to the PRO committee request for information.

It was also suggested that Board members should contact Congressional representatives to express concern regarding restrictions that Sarbanes Oxley places on state regulators.

C. CPAs as Independent Contractors

Ms. Rives prepared a memo describing situations in which CPAs provide or enlist professional services from independent contractors.

- If a firm is outsourcing contractor work, is there a partner within the firm that is competent to review the work prior to client receiving the final document.
- Who is required to be enrolled in a peer review program, the firm that issues the report or the independent contractor who did the work?
- AICPA members are required to notify the client if work will be outsourced so that the client has the option to refuse the service.
- If the work being completed is an attest engagement, will this fall under other professional standards?
- Issues of confidentiality and competency.

The Board suggested a question on the firm registration application regarding use of independent contractors and also on the individual renewal application if the licensee provides services as an independent contractor. If so, name of firm for whom the licensee provides services and a description of services provided. There was general agreement that use of independent contractors for municipal auditors may violate Oregon rules.

D. Development of Procedures for Pre-issuance Reports

The Board discussed the need to appoint a task force to identify appropriate standards and procedures for special reviews that are sometimes included in disciplinary actions. Pre-issuance reviews are the most frequent special review requirement imposed by the Board because they provide a valuable tool for licensee

education and for public protection. When pre-issuance review is part of a negotiated agreement, completion of the agreed procedures satisfies the terms of the agreement. If the Board needs to take additional action, a separate investigation must be opened. Licensees who agree to pre-issuance reviews must receive clear warning if the results may generate additional disciplinary action. The Board believes that this issue is a priority and should be dealt with as quickly as possible.

The OSCPA will also provide volunteers for the task force. Board members Jens Andersen and Jim Gaffney agreed to assist, and Mr. Andersen will recruit volunteers at the next Peer Review Oversight Committee meeting.

3. Staff and Board Reports

A. Biennial Report of legal fees

The report shows a steady increase in legal fees over three biennia.

4. Administrative Matters

A. Rules to be filed for January 1, 2008 effective date

1. Division 001: 801-001-0035

Amendments update the effective date of professional standards to January 1, 2008.

2. Division 005: 801-005-010(38)

Revisions to the definitions “practice of public accountancy” and “professional services” so that professional services provided by licensees in industry, government and education are included in each definition. The Code of Professional Conduct committee recommended the amendment, which was then drafted by a board member for the purpose of notice filing. The CPC Committee will review the proposed definition at the committee meeting November 28, 2007.

3. Division 010: 801-010-0340(3)

Amendments provide for an extension of time for public accounting firms to meet firm ownership requirements in the event of death or other unforeseen circumstance.

4. Division 030: 801-030-0015(2)(e)

801-030-0020(6)

801-030-0020(13)

- The obsolete term “management advisory services” is replaced by current term “consulting services”
- The seven- year retention requirement for audit working papers is changed to five years to conform to retention requirements in professional standards.
- Firm name requirements and disclosure of confidential client information provisions are clarified.

- A new section in 801-030-0020 prohibits licensees from entering into non-disclosure agreements that would inhibit any party to the agreement from reporting alleged violations to the Board of Accountancy or that inhibit cooperation with any board, state or federal investigation.

5. Division 040: 801-040-0030(3)

The proposed amendments clarify that CPE taken through a distance learning program provided by an accredited university or college (described in ORS 673.050) are not required to be QAS approved.

B. Administrative Rule Hearing

Mr. Johnson volunteered to serve as the administrative rule hearings officer. The hearing is scheduled December 3, 2007 from 1:00 p.m. to 3:00 p.m.

C. Administrative rule development (Defer to May or October 2008)

1. May 2008

- a. Tolling Agreements reporting requirement
- b. 16 hour CPE requirement for audit services (PRO recommendation)
- c. Ethics requirement (CPE Committee recommendation)

2. October 2008

- a. Cost Recovery
- b. Fingerprint requirements

D. 2007-09 Budget Reporting Update

1. Enforcement Database

Staff is in the process of verifying all items that appear as a violation in the enforcement database by pulling files and comparing the file with the information in the database. When verification is complete, we will be able to go forward with the “yes/no” information on the licensee web site look-up.

2. Complaints Backlog

The RFP has been submitted to Department of Administrative Services for review and approval. The Board should designate two Board members and one committee member to evaluate the responses received the pool of qualified investigators. Mr. Bailey and Mr. Johnson volunteered and Mr. Larry Brown, complaints committee member, has also volunteered. If Mr. Johnson is unavailable, Mr. Bailey will be looking for an additional volunteer.

3. On-Line Licensing

The Administrator is working with a contractor who was recommended to assist with preparation of the business case and feasibility study that DAS IRR requires before the Board can issue an RFP.

E. 2009-11 Budget Development

The Board is considering a policy package to request two additional staff members. One position would be a mid-level position to assist the investigator and the administrator. The second position is intended to meet the needs of the increased workload. The Board administrator and a board member will review the financials and determine whether the cost of these two positions can be supported in the 2007-09 budget. Administrator will report the findings at the December meeting.

F. Administrator Succession Planning

The Board reviewed a proposed timeline for recruitment of a new Board administrator. The position will be double-filled from January 2009 through March or April 2009 for vacation accrued by Ms. Rives.

G. Performance Measures and Policies

The 2007 Annual Performance Progress Report was submitted to DAS and LFO for final approval. A better system of measuring the time a complaint is received and the investigation compiled is necessary. The Board liaison to the Complaints Committee and the Board Investigator are directed to review outstanding complaints on a quarterly schedule so that serious complaints are prioritized and the potential for continued risk of harm to public consumers is minimized. It was noted that the pool of investigators will also alleviate the problem.

H. Board Committees

The Board discussed increasing the number of members on the Peer Review Oversight committee, based on additional member responsibilities to review PCAOB inspection reports. Further discussion will be deferred until the extent of PCAOB report review is finalized.

The Board discussed reorganization of complaints committee meetings by separating complaint presentations in two sections: those relating to attest and those relating to tax and other matters. This would allow committee members to attend the portion of the meeting that relates to the member's expertise and practice. The Board likes the idea and would like the committee's thoughts.

5. Process Observer Report

Overall, very productive. Good planning to push some issues to 2008.

6. Adjourned

There being no further business, the meeting adjourned at 4:33 p.m.