



Oregon Board of Accountancy Laws and Rules Committee Minutes of November 16, 2015

Board of Accountancy/Large Downstairs Conference Room
3218 Pringle Rd SE, Salem, OR 97302

Present:

John Lauseng, CPA, Chair*
Alan Steiger, Retired-CPA
Steve McConnell, Retired-CPA
Michael Ohanesian, CPA
Lynn Kingston, CPA*
Stu Morris, PA, OAIA

Sherrie McPherson, OSCPA
Susan Bischoff, Legal Counsel
Martin Pittioni, Executive Director
Kimberly Fast, Licensing Manager
Julie Nadeau, Licensing Specialist

*denotes Board member representatives to the LRC

1. Call to Order / Adoption of Agenda / Announce Recording

Mr. Lauseng called the meeting to order at 9:57 a.m. and announced the meeting was being recorded. Members introduced themselves and gave a brief background of themselves. He noted that the meeting would be the last before the December Board meeting, where the language revision materials would be presented to the Board. The Agenda was adopted without comment.

2. Policy Discussions on current LRC work items

a. Retired and inactive

- i. Review draft by Board counsel and comments
- ii. Review and discuss UAA exposure draft
- iii. Committee Discussion of options going forward

Mr. Lauseng noted that there was significant discussion about the retired exposure draft at the NASBA Annual Conference. He stated that the UAA is taking a harder line stance than the LRC draft language with regard to retired and inactive CPAs. Under the UAA Exposure Draft language, retired licensees can only sit on Boards of Non-Profits or do the vitae program/tax preparation without compensation. Mr. Pittioni agreed with his interpretation. Ms. Bischoff noted the UAA language also makes retired status a subsection of inactive status which is contrary to ORS.

Mr. Morris pointed out that the UAA language used PA inconsistently and that OAR should reflect CPA/PA throughout unless different language will be added for PAs. Ms. Bischoff suggested that PA should be added to make the language consistent. Mr. Lauseng pointed out that the inconsistent language is the UAA Exposure Draft, not Oregon Rules. Ms. Bischoff confirmed that she would review the OAR to be sure language is consistent.

Mr. Lauseng referenced section (6)(D) [Ms. Bischoff noted this item should be (6)(E)], asking if the LRC should explicitly allow for some voluntary activities similar to those outlined in the Exposure Draft, if that would be procedurally viable and if there could be concerns as to different interpretations for approval as the Board changes over time. If it is procedurally viable, he asked if it would be beneficial to establish common practices that do not require ongoing Board approval. Mr. McConnel suggested that Board identify whether each request would require Board review or if, once the Board takes action, subsequent approval could be delegated to staff. Ms. Bischoff pointed out that (6)(B) allows licensees in retired status to volunteer without compensation, which fact should be articulated in a margin note. Additionally, there are services (i.e. trust work, college instructor, Board volunteer) that retired licensees may provide that should not be addressed in Rule, but should be discussed in an operating list maintained by the Board. Outside of an operating list, the Board could delegate to staff the discretion to authorize or bring requests to the Board for consideration. Discussion related to FAQs ensued and Ms. Bischoff agreed to work with staff to develop FAQs once Rule has been adopted.

Mr. Lauseng suggested (7) be changed to read "...upon prior approval of the Board..." He also suggested the language "...so long as the activity or service performed..." be stricken to allow for volunteer activities. Ms. Bischoff stated that "...may for compensation..." allows for volunteer work and suggested that margin notes would again be appropriate. The Committee discussed the application of the code of conduct and professional ethics. Ms. Bischoff clarified that under Division 030, Code of Professional Conduct includes ethics and work standards. If the Committee feels that the licensees will interpret differently, then she could include a margin note for clarification. Mr. McConnel asked if a retired licensee would need Board approval each time they were to change their type of work or if it would just be addressed at renewal. Mr. Lauseng affirmed that a request should go to the Board before the licensee makes any change.

Mr. Pittioni stated that, if the Board changes the rules regarding trustee work, there needs to be a clear definition for what a trustee is allowed to do. Ms. McPherson noted that the OSCPA has received numerous calls regarding the UAA exposure Draft, with retired licensees feeling that the proposed language is unfairly limiting because it does not allow a licensee to serve on Boards for compensation. Ms. Kingston added that previous LRC discussion has leaned toward restricting those serving on Boards from serving on audit committees or serving as Treasurer. It was suggested that since most audit committee members are non-CPA appointees, perhaps the language could allow for this type of appointment. Mr. Pittioni reminded members that the language presented in the draft change would allow for Board approval. Mr. Lauseng and Ms. Kingston suggested that it could be added to the operating list and the FAQs as well. Ms. Bischoff suggested the Board could impose conditions such as professional liability insurance.

Mr. Lauseng asked the Committee if they would like to see if the Exposure Draft evolves into the same vision of the LRC or if they would like to move forward with a presentation to the Board at their December meeting.

Mr. Steiger opened a discussion about specific scenarios regarding inactive and retired licensees. He asked about the basis for public concern if an individual was working for compensation without holding out. Ms. Bischoff said, regardless of public concern, licensees are regulated by the Board. Mr. Lauseng added that, if the Board didn't see reason for concern, then they would have an avenue for approval

through this language. Mr. Pittioni warned that there is no precedence for considering holding out as a condition of being subject to the jurisdiction of the Board.

Mr. Pittioni asked if the Committee would like to move forward with the policy differential in December. Ms. Kingston noted that the UAA can take time and recommended LRC move forward with a recommendation to the Board. There was consensus among the Committee. Mr. Pittioni noted the Board could become active at the UAA level or elongate the adoption process while leaving OAR draft out for comment longer before final adoption to allow for feedback from NASBA.

Returning to language discussion, Ms. Kingston requested that (6)(A) be changed to add "...the licensee meets the age or experience requirements..." for consistency.

The Committee discussed the timeline of developing the FAQs. Ms. Bischoff said that she would work closely with Mr. Pittioni and Ms. Fast to draft a first round of FAQs subject to LRC approval. Mr. Pittioni noted that Ms. Fast has compiled specific scenarios reported by retired licensees and that a spreadsheet could be shared at the end of the meeting. She noted that the spreadsheet would also be carried to the Board for their information as well.

Ms. Fast asked about the timeline for Board approval. Ms. Bischoff suggested, if licensees didn't approach the Board in the correct timeframe that a letter of concern could be sent to licensees in violation at the time of renewal.

3. Updates on pending LRC items and determination of next steps

a. PROC related items

i. Division 050 rules draft

Mr. Lauseng noted that most of this material has been covered at length and some points may just require a quick update. He asked if the changes could be circulated to Committee members once more prior to carrying it forward to the Board at their December meeting. Ms. Bischoff agreed to update the margin notes in Legislative format.

Ms. Bischoff asked about the highlighted text on Page 3 (2)(d). Ms. Fast noted that "out of state firms performing attest/compilation services" – strike compilation only. The Board doesn't require out of state firms to register in Oregon if they only provide compilation services.

Ms. Fast noted changes to Page 8 (3) Documents Required, stating that firms would be required to opt in to FSBA. She suggested that the documentation be upon Board request since staff can access the FSBA site, but that firms are no longer able to opt out.

c. Reinstatement Rules

Ms. Fast covered the changes from the last meeting.

- On page 24 (1) Lapsed Licenses, "retired" was removed as there will be no reinstatement to retired status allowed

- On Page 25 (4)(b) the “extraordinary circumstances” language replaced “good cause” per Ms. Bischoff’s suggestion
- On Page 26 (g), Board approval is required to approve a suspended license for reinstatement
- On Page 26 (7) “...inactive more than two years” language was unclear. Ms. Bischoff will examine the need for the additional language

d. Municipal Roster License Proration

Ms. Fast noted that language in Division 020 was added to prorate the initial permit fee for Municipal Auditor applicants to be consistent with all new licenses.

f. In good standing

Ms. Fast reported that the In Good Standing language applies to those who have only Municipal Auditor licenses without being licensed in Oregon.

e. Resignation of a License

Ms. Bischoff reported that this section had no changes since reviewed at the last LRC meeting.

g. Acceptance of Foreign Credits

Ms. Fast noted that, currently, foreign college credits are required to be evaluated by NIES, but the requirement does not exist when those credits are being used as CPE. It was decided that this discussion would be deferred to a future agenda as it is not a high priority at this time.

a. PROC related items

ii. Update on PROC developments and potential statutory initiative

Mr. Pittioni reported that there have been active discussions regarding the future of the PROC. It may be wise to figure out where PROC is headed before addressing legislative changes that may or may not be needed. Mr. Lauseng stated that, based on discussion with members of PROC and members of the Board, it would be wise to hold this topic for a later discussion.

b. Qualified Supervisors

Mr. Ohanesian attended an AICPA committee meeting in Washington DC and talked with representatives from other states, finding that most states appear to have a similar process. Mr. McConnell volunteered to check with his contacts at the AICPA. Mr. Ohanesian and Mr. McConnell will be in communication. Ms. Bischoff confirmed there would be no changes at this time.

4. LRC General Planning

a. Development of meeting schedule and rules development timeframe

Questions came out of the BOACC related to the obligations of a predecessor auditor to comply with a successor auditor's request for access to information. Auditors are claiming that they are supplying proprietary information and the clients are being caught in the middle. After brief discussion, Mr. Pittioni added that this topic is currently on the horizon and there is no need for action at this time.

Ms. Bischoff discussed the need to consider broadening the language surrounding objectivity and integrity. The current language is narrow with regard to professional services and conflicts of interest can arise.

Mr. Pittioni mentioned an issue with regards to client records. In instances of incapacitation or death of a sole proprietor, their client records are not accessible. He suggested that requiring a designation of a records custodian to be filed with the Board as a condition of their renewal could provide a solution without violating Board confidentiality rules. He discussed this with a member of the Professional Ethics Executive Committee (PEEC) so they could look at developing a national model that works for the profession.

The LRC agreed to set their next meeting for April 26, 2016 at 10:00 am.

5. Adjournment

The meeting adjourned at 11:34 a.m.