

OREGON BOARD OF ACCOUNTANCY
WORK SESSION MINUTES
May 20, 2012

Eugene Hilton & Conference Center

Vistas II

Eugene OR

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

BOARD MEMBERS:

Roberta Newhouse, CPA, *Chair*
Jessie Bridgham, CPA, *Vice Chair*
Ann Ferguson, CPA, *Treasurer (by phone 10:00 – 11:37)*
Dr. Roger Graham, *Public Member*
Al Crackenberg, PA
Scott Wright, CPA
Larry Brown, CPA

BOARD STAFF:

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

GUESTS:

Sherri McPherson, OSCP Representative
Jason Orme, CPA, OSCP Representative

1. CALL TO ORDER

Vice-Chair Bridgham called the meeting to order at 9:00 a.m. She announced that the work session was being recorded.

2. ADMINISTRATIVE RULES

A. Division 005

Division 005 was proposed to be amended to add chartered accountants to the definition of “active” status. Currently the definition includes only CPAs and PAs. Chartered accountants may serve as supervisors to applicants applying for licensure. This rule amendment would clarify the active license of a Chartered Accountant.

The definition of “attestation services” was proposed to be amended to clarify that financial forecasts and projections are attest services. This is related to the examination of prospective financial information.

“Client Records” was proposed to be added to the list of definitions in Division 005. The language is the same as used in Division 030 and was added for consistency. “Examination

of prospective financial information” was also proposed to be added to the definitions, but the Board and legal counsel believe it is better left out of the definitions and kept in Division 050.

The Board requested a new amendment to the definition of “Generally Accepted Accounting Principles”. The word “codification” should be added.

Board members discussed “retired” status.

B. Division 010

There was a proposed uniform change throughout the division to include reference to the online licensing system the Board will soon implement.

C. Division 030

Division 030 was proposed to be modified to enhance the rule regarding client records, working papers and custody of those records. The term “electronic records” was added to reflect current business practices.

The procedures on how to handle client records can be complicated and sole practitioners can wind up out of compliance with rules and standards.

The Board would like Ms. Bischoff and Ms. Sisk to work out a rule that will require that a licensee get written consent to transfer records; however, if the client does not consent, the licensee is responsible for holding those records for 6 years before destroying them.

D. Division 040

The Board discussed the rule for reinstating an inactive license. The proposed rule presented to the Board basically mimics the reinstatement requirements for lapsed status with the exception of the 6-year timeframe after which lapsed licenses expire.

It was proposed that a rule be added that would allow the Board to choose whether to penalize licensees with additional CPE hours, when they submit their renewal past the June 30 deadline, which is the current practice or impose a monetary sanction.

The Board was concerned on how the amount would be determined and who would determine if they were penalized by CPE or penalties. Mr. Hearn stated that using CPE for punitive purposes is uncommon.

The Board would prefer to maintain the 16-hour CPE penalty for late submission of renewals.

E. Division 050

The AICPA made substantial recommendations on amendments to the rules regarding peer review. The Board would like to table discussion on these changes until the Peer Review Oversight Committee has had a chance to review and make recommendations.

3. Considerations for becoming Semi Independent

A. Efforts for 2013 Legislative Session

Mr. Hearn stated that he has met with Ms. McPherson from the OSCPA and they have agreed to put forth a bill in the 2013 legislative session to establish the Board as a semi-independent agency.

Dr. Graham, would like to know what that means for the public and what strategy will be used in the next session. How would the public benefit from the Board becoming semi-independent. He mentioned that the Board has discussed, at many prior meetings, the fact that our fees are currently in statute and, because of that, we are “overcharging” for licenses. The Board must be certain that it is structured in such a way that there is no appearance of being self-serving.

Mr. Crackenberg commented that there are two ways to think about semi-independence. One is self serving, the other is self serving/self regulating. In any case, the Board would need to be sure there was enough money put aside for any legal or enforcement actions that may happen.

Mr. Hearn stated that some may say we are overcharging our licensees and some may say we are managing our budget well. The increase in license fees was not at the Board’s request and, in fact, prior to 2009, license fees had not been raised since 1999. Mr. Hearn also stated that the other opportunities the status provides is the ability to obtain services for

less money than the state presently charges us for similar services and the ability to classify and compensate employees without having to get legislative approval.

It was suggested that the Board develop an internal control manual to ensure that the Board and its staff stay within certain guidelines and expectations that are crystal clear.

NASBA is very focused on encouraging state Boards to become or remain semi-independent. There are established criteria for effectiveness of semi-independent Boards.

4. Fitness to Practice Rule

This topic was initiated at the October 2011 meeting. The issue is whether or not the Board can evaluate an individual applicant based on their criminal history, regardless of the type of crime. Assistant Attorney General Kelly Gabliks prepared a memo for the Board to review. In essence, the Board can review an individual's criminal conduct, but it needs to be in conjunction with how it will affect their performance of public accounting services.

The Board indicated that their profession would be offended if the Board licensed someone who had a felony record.

Ms. Bischoff will gather more information to present at the August meeting.

5. Talking Points – Dr. Graham

A. Educational Reform

The educational requirement to sit for the CPA examination is 150 hours. Dr. Graham pointed out that students who have a bachelor degree will go back to school and simply take PE or similar courses to fulfill the extra 30 hours. Some states require that the additional hours be taken in certain courses. Oregon has no such requirements. Mr. Wright indicated that he has hired individuals with a master's degree vs. a bachelor degree and finds little difference in their abilities.

B. Business Purpose to be Licensed in Oregon

Mr. Graham also is concerned with the direction the Board is heading with licensing individuals with no nexus to Oregon. Ms. Newhouse would like the Department of Justice to research the laws regarding interstate commerce. The licensees are searching for a state in which they can obtain a license with the least amount of work. The Board will await counsels review of the law.

C. Changes made in the past two years

Dr. Graham told the Board that, after the last Board meeting, former Board Member Stuart Morris approached him and said how disappointed he was about how the Board is handling licensees who appear at Board meetings to take part in their own disciplinary matter.

At the previous meeting, the Board invited an individual to attend the meeting and then told him that he couldn't speak. Dr. Graham struggles with the way we are treating our respondents, whose potential violations range from a simple mistake to fraud. We are now treating those cases on an equal playing field when it comes to interaction with the Board.

Ms. Bischoff, Board counsel, addressed Dr. Graham's comments by reading a document from her supervisor, Kyle Martin, AAG, from which the recommendation to the Board originated.

The Board appreciates the recommendation, but does not believe that the practice of not hearing from licensees is a direction they would like to go. Having the individuals appear before the Board gives them a chance to tell their side of the story. Mr. Brown commented that the Board has the responsibility of weighing the risk and the reward.

The Board members all agree that they would like to continue to have licensees appear before the Board.

6. Online Licensing Project

Mr. Hearn stated that the online licensing project is not on track and it is a result of both the vendor and the Board. He indicated that GL has been very cooperative and is working diligently on the project. The current plan is to mail out paper renewal forms on May 21, 2012 and activate the on-line system on Wednesday, May 23, 2012.

The transition will be difficult for licensees and staff. Staff have been processing renewals the same way for many years. Mr. Hearn expects to receive feedback from licensees while we do tweaking and troubleshooting.

7. Potential Properties for Relocation of Board Office

Mr. Hearn provided the Board with a schematic of the preferred office location. There is adequate space for Board and committee meetings and the tentative rate is \$1.30 per square foot , including utilities. The Board would be responsible for maintenance and that would be around \$200 per month. There is an issue with IT connectivity to the building. The state data center has contracted with a company that charges very high rates.

The Board would most likely sign a 5-year lease and move in September. Morrow Crane has agreed to allow the Board to enter into a month-to-month rental agreement until we can move.

8. Governor's new Budget process for 2013-15

Mr. Hearn provided the Board members a power point presentation that explains the new budget process. The agency creates their requested budget, "program funding teams" review, and then make a recommendation to the Governor.

Mr. Hearn and the Board then discussed the possible need for an additional staff investigator due to a substantial increase in case load. The Board concurred to monitor for the time being to determine whether or not the increase workload appears to be permanent.

The Board work session adjourned at 5:15 p.m.