OREGON BOARD OF ACCOUNTANCY

Qualifications Committee

Minutes – July 16, 2014

Committee Members Present

Alia Adams, CPA *(arrived 11:10 a.m.)*
Patrick Brown, CPA
Michael Halbirt, CPA *(Chair)*
David Peterson, CPA
Rachelle Quinn, CPA
Alan Steiger, CPA
Christina Tate, CPA
Bryce Wilberger, CPA

Staff Present

Kristen Adamson, *Licensing Specialist*
Martin Pittioni, *Executive Director*

Excused Absence

Charles Landers, CPA
Denise Teixeira, CPA (*Vice-Chair*)
Roger Graham (Board Liaison)

Guests

Kelly Irving, *Applicant Supervisor*
Angel Davis, *Applicant*
Doug Eidel, *Applicant Supervisor* (*joined 11:04 a.m.)*
Tina Miller, *Applicant Supervisor* (*joined 11:04 a.m.)*
Andrea Saxon, *Applicant (joined 11:04 a.m.)*
Darren Leitzke, *Applicant (joined 11:10 a.m.)*

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1. CALL TO ORDER

The Qualifications Committee convened for a regularly scheduled in-person meeting on July 16, 2014. Michael Halbirt, CPA, Committee Chair, called the meeting to order at 10:59 a.m., and announced that the meeting was being recorded.

2. PENDING APPLICATIONS

A. Current Applications

1. Angel Davis (Landers)

Ms. Davis passed the Uniform CPA examination in August 2012 as an Oregon candidate. Experience was gained at the following employer:

Precision Castparts	22 months	All Competencies

Mr. Halbirt read Mr. Landers' written recommendation to the committee:

> *Previously the committee rejected the applicant because the write ups in the application dealt extensively with the applicant's time in internal audit and the supervisor licensee in internal audit did not meet the CPA qualifications. The new application covers the applicant's experience (22 months) in PCC's corporate accounting under a qualified CPA. I believe the new application*

adequately addresses the applicant's achievement of the seven core competencies. I did discuss the applicant with the supervisor licensee, Kelly Irving, and her evaluation was very high on Angel's qualification. I believe that there is sufficient evidence to make a preliminary finding that Angel Davis has met the minimum qualifications for licensing per OAR 801-010-0065.

Mr. Pittioni clarified that the recommendation can only be made by a committee member present at the meeting. Ms. Quinn mentioned that she would abstain from the vote due to her personal association with Ms. Davis' supervisor. Mr. Halbirt questioned the seemingly high amount of supervision hours, and Irving responded that she tried to give an average on the application materials, stating that the workload is very seasonal, and in high reporting periods there is a very high amount of supervision, and her workspace is close to Davis', allowing them to interact frequently throughout the day. Mr. Halbirt also confirmed with Ms. Irving that Ms. Davis had reported directly to her.

COMMITTEE RECOMMENDATION: APPROVAL
Mr. Halbirt moved to find that there is sufficient evidence to make a preliminary finding that Angel Davis has demonstrated the competencies necessary for initial licensing per OAR 801-010-0065.
MOTION PASSED. 6 Ayes, 1 Abstain (Quinn)

2. Michael Davis (Brown)

Mr. Davis passed the Uniform CPA examination in November 2006 as an Oregon candidate. Experience was gained at the following employer:

FEI Company	18 months	All Competencies

Mr. Brown reported that he had spoken with Mr. Davis' supervisor, Doug Eidel, about a few questions regarding Davis' experience. Mr. Brown felt the write-up was decent, though perhaps not quite as comprehensive as is usually preferred. He confirmed that there was direct supervision for a year. Mr. Eidel addressed the majority of his concerns, but upon final evaluation he was still concerned about Competency B, in that there was not strong documentation of experience in understanding the entity's industry. There was also concern with Competency F, which Mr. Brown felt was simply a matter of not seeing any documented experience in evaluating cashflow, liquidity, solvency, or operating cycles, which are highlighted in the OARs. Ms. Quinn agreed that she was concerned that the write-up on Competency F was narrowly focused on Days Payable Outstanding. Mr. Wilberger commented on the generalized language used in the write-up on Competency F, for instance, "the candidate must evaluate cashflow…", and the committee has discussed in the past the use of such statements as opposed to example-oriented statements.

COMMITTEE RECOMMENDATION: DEFERRAL
Mr. Brown moved to defer the application for Michael Davis pending additional documentation of Competencies B and F.
MOTION PASSED. 8 Ayes

3. Andrea Saxon (Adams) – Agenda Item 2.B.3 – Previously Deferred

Ms. Saxon passed the Uniform CPA examination in April 2012 as an Oregon candidate. Experience was gained at the following employer:

Lithia Motors	19 months	All Competencies

Ms. Adams felt that the supervisor did a good job putting together sufficient information. Mr. Halbirt noticed that there was no reference to the Lithia program, and Ms. Tate clarified that Ms. Saxon joined Lithia prior to the initiation of the program, so that would account for the fact that the experience did not necessarily reflect the program wording. Ms. Tate also confirmed that as a Lithia employee, she would abstain from the vote.

COMMITTEE RECOMMENDATION: APPROVAL

Ms. Adams moved to find that there is sufficient evidence to make a preliminary finding that Andrea Saxon has demonstrated the competencies necessary for initial licensing per OAR 801-010-0065.

MOTION PASSED. 7 Ayes, 1 Abstain (Tate)

4. Christina Shayne (Peterson) – Agenda Item 2.B.4 – Previously Deferred

Ms. Shayne passed the Uniform CPA examination in November 2010 as an Oregon candidate. Experience was gained at the following employer:

Lithia Motors	22 months	All Competencies

Mr. Peterson's main question for Tina Miller, Shayne's supervisor, revolved around whether Ms. Shayne had experience in performing versus planning work. Ms. Miller sent Mr. Peterson examples of Shayne's involvement in risk assessment and planned procedures. In light of the supplemental information, Mr. Peterson felt that all seven competencies were met. Mr. Steiger was concerned about Competency A, noticing that the write-up seemed to reflect only times where the applicant would have asked for direction.

COMMITTEE RECOMMENDATION: APPROVAL

Mr. Peterson moved to find that there is sufficient evidence to make a preliminary finding that Christina Shayne has demonstrated the competencies necessary for initial licensing per OAR 801-010-0065.

MOTION PASSED. 7 Ayes, 1 Abstain (Tate)

5. Darren Leitzke (Landers) – Agenda Item 2.B.1 – Previously Deferred

Mr. Leitzke passed the Uniform CPA examination in August 2013 as an Oregon candidate. Experience was gained at the following employer:

Precision Castparts	21 months	All Competencies

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Mr. Halbirt read Mr. Landers recommendation to the committee:

> *I would send this to the committee and I believe it addresses the questions I had on risk assessment. Based on this additional information I believe that there is sufficient evidence to make a preliminary finding that Darren Leitizke has met the minimum qualification for licensing per OAR 801-010-0065.*

Mr. Leitzke confirmed for Mr. Halbirt that he had passed the AICPA ethics exam. Mr. Halbirt also stated that he had some questions on Mr. Leitzke's understanding of risk assessment, and asked Mr. Leitzke if he could explain how he saw the function of risk assessment. Mr. Leitzke was unable to answer the question, and Mr. Halbirt responded that while he had some reservations on whether the write-up supported Mr. Leitzke's ability in that respect, but allowed that Mr. Landers would have given the application a thorough review.

COMMITTEE RECOMMENDATION: APPROVAL
Mr. Halbirt moved to find that there is <u>sufficient evidence</u> to make a preliminary finding that Darren Leitzke has demonstrated the competencies necessary for initial licensing per OAR 801-010-0065.
MOTION PASSED. 5 Ayes, 2 Nays (Halbirt, Quinn)

6. Kristin Henshen (Wilberger) – Agenda Item 2.A.3

Ms. Henshen passed the Uniform CPA examination in October 2009 as an Oregon candidate. Experience was gained at the following employer:

Peterson Pacific	41 months	All Competencies

Mr. Wilberger reported that he had significant concerns with the write-up's support of Competencies E and F, particularly given the fact that according to Ms. Henshen's supervisor, her only role in the risk assessment process was making recommendations, as opposed to making decisions or guiding the process. Mr. Wilberger believed that the candidate is most likely qualified, but the write-up does not provide the information to reflect that. Peterson agreed with Wilberger's assessment, noting that in the write-up for Competency E, the word "risk" was never used, and that there was no evidence that Ms. Henshen had analyzed information and made a recommendation rather than simply compiling and presenting. Mr. Steiger and Ms. Quinn were less concerned about Competency E based on Ms. Henshen's involvement with ERP system implementations. Mr. Wilberger took this into account, but was not convinced that this was sufficient because in his experience with system implementations, it was entirely possible to be part of a successful implementation without having any knowledge of what it means to have a material misstatement on financial statements.

COMMITTEE RECOMMENDATION: DEFERRAL
Mr. Wilberger moved to <u>defer</u> the application for Kristin Henshen pending additional documentation of Competencies E and F.
MOTION PASSED. 8 Ayes

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7. Tieu Quyen Phan (Teixeira) – Agenda Item 2.A.4

Ms. Phan passed the Uniform CPA examination in May 2013 as an Oregon candidate. Experience was gained at the following employer:

Cambia Health	23 months	All Competencies

Mr. Halbirt read Ms. Teixeira's recommendation to the committee:

> *I, Denise Teixeira, have reviewed the application for CPA certificate of Tieu Quyen Phan. The write up of Quyen's experience was extensive and documented the breadth of understanding and knowledge that was attained by her. The examples provided to satisfy the core competencies were adequate and, in my opinion, provided evidence of Quyen's knowledge.*
> *Therefore, in my opinion, there is sufficient evidence to make a preliminary finding that Tieu Quyen Phan has met the minimum qualifications for licensing per OAR 801-010-0065.*

Mr. Halbirt was concerned that the examples provided were too thin, and that there was no reference to the Cambia MOU program. Mr. Brown responded that Cambia's internal qualifications committee had encouraged the approach of presenting the information in a way that would make sense, given the fact that the accounting department in question is not typical, and they don't use typical terminology. The goal was to be as transparent as possible without going into exhaustive detail. Mr. Brown confirmed that Ms. Phan went through the Cambia program. Mr. Halbirt questioned whether Ms. Phan had made any reports to upper management, and Mr. Brown described a final recommendation in which Ms. Phan obtained a great deal of risk assessment experience.

COMMITTEE RECOMMENDATION: APPROVAL

Mr. Halbirt moved to find that there is <u>sufficient evidence</u> to make a preliminary finding that Tieu Quyen Phan has demonstrated the competencies necessary for initial licensing per OAR 801-010-0065.

MOTION PASSED. 7 Ayes, 1 Abstain (Brown)

8. Chunhee Yim (Quinn) – Agenda Item 2.A.5

Ms. Yim passed the Uniform CPA examination in July 2009 as an Oregon candidate. Experience was gained at the following employer:

Oregon Dept. of Revenue	13 months	All Competencies

Ms. Quinn described what she felt was a broad scope of experience, and compared Ms. Yim's work to that of an audit manager at a public accounting firm. Clarification on the agency organization charts was obtained and passed on to the committee.

COMMITTEE RECOMMENDATION: APPROVAL

Ms. Quinn moved to find that there is <u>sufficient evidence</u> to make a preliminary finding that Chunhee Yim has demonstrated the competencies necessary for initial licensing per OAR 801-010-0065.

MOTION PASSED. 8 Ayes

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9. John Ly (Quinn) – Agenda Item 2.B.2 – Previously Deferred

Mr. Ly passed the Uniform CPA examination in May 2011 as an Oregon candidate. Experience was gained at the following employer:

Mentor Graphics Corp.	13 months	All Competencies

Mr. Ly was initially deferred at the April committee meeting for more information on Competencies B and F. Quinn reported additional information received on Mr. Ly's ability to understand R&D tax work, the relationship of R&D to his company, as well as mergers and acquisitions work, seemed to be sufficient information for Competency B. Ms. Quinn felt that Competency F was met through evaluating cash flows related to mergers and acquisitions, cash dividend payouts, and profit margins. In light of the new information received, Ms. Quinn felt that Mr. Ly was qualified for licensure.

COMMITTEE RECOMMENDATION: APPROVAL

Mr. Halbirt moved to find that there is sufficient evidence to make a preliminary finding that John Ly has demonstrated the competencies necessary for initial licensing per OAR 801-010-0065.

MOTION PASSED. 8 Ayes

Prior to breaking for lunch, Mr. Pittioni asked if the committee wanted to give Mr. Leitzke an opportunity to give some sort of response on the risk assessment question. It was agreed that the Board would most likely want to take a close look on an application that received two nay votes, and his non-response to the question could reflect badly. The committee decided to give Mr. Leitzke the option of submitting a written response to the question, taking out the element of surprise.

3. APPROVAL OF MINUTES

A. April 23, 2014

There were no modifications made to the April 2014 minutes. Mr. Steiger moved to approve the April 23, 2014 Qualifications Committee minutes as submitted.

MOTION PASSED. 8 Ayes

4. REPORT OF BOARD ACTION

Mr. Pittioni made the Board report in Mr. Graham's absence. The two-day June Board meeting did not include any new Qualifications Committee items as there was no committee meeting between the May and June Board meetings. Mr. Pittioni summarized the Board's discussion of the procedural changes that will be made to licensing processes, which will revolve around a higher level of scrutiny of applicants qualifying through attest and other professional standards, and applicants completing their own write-ups, with supervisors signing off on them. The Board is open to making changes to the administrative rules to reflect some of the changes that are still in process. There was a significant amount of discussion around whether the Board should continue to pursue a legislative initiative to change to education requirements for the CPA Exam from 150 semester hours to 120 semester hours, but it was finally decided that this would not be pursued by the Board, in favor of considering potential rule changes that would ask for more specific course requirements. Ms. Quinn asked how Oregon's requirements compare to other states, particularly neighboring states. Mr. Pittioni answered that other states requirements are considered, as well as the Uniform Accountancy Act, though the overall

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sense at the Board is that their priority will be to find the right answer for Oregon, specifically. Mr. Pittioni also advised that initial discussion at the Laws and Rules Task Force on a proposal to raise educational requirements by specifying that accounting courses had to be at the junior and senior level received considerable discussion and was not at this time in consensus territory with the task force. Pittioni explained to the committee that this issue could become an issue where the Board may choose to act even if no full consensus could be achieved. Mr. Pittioni added that in his view the work by Mr. Graham to build consensus behind the proposal by the institutions of higher education was the first critical and absolutely essential step, and that work would continue toward building support for the draft proposal.

5. OLD BUSINESS

A. WORK GROUP UPDATE – Agenda Item 5.D

Mr. Halbirt reported that Mr. Steiger, Mr. Landers, Mr. Wilberger, and he met as an advisory group, and there was no voting or firm decisions, but they gave suggestions to Mr. Graham to assemble the project of updating the guidelines for Competency write-ups that will be submitted to the committee. Mr. Halbirt and Mr. Wilberger expressed that their hope was to give applicants more concrete language to respond to in describing their experience.

B. IRS MENTORING PROGRAM –Agenda Item 5.A

Mr. Halbirt asked the committee if they were happy with the final submission from the IRS on their potential mentoring program. Mr. Steiger felt that some elements were more than would normally be required, and Mr. Halbirt responded that the IRS had provided extra material that was needed to fulfil internal requirements. Mr. Steiger requested that IRS provide examples of the Internal Revenue manual mentioned in the core competency list. Mr. Halbirt agreed to contact the IRS again and request the information. Mr. Brown was happy with the final product, and noted that they had been responsive to committee requests. Mr. Peterson and Mr. Brown noted that the IRS seemed to have their own internal lingo, such as “critical job elements” that were undefined, and that could make it difficult to interpret an applicant’s experience, and Mr. Brown added that if they gave some background showing how the work met the competency, it would be easier to interpret. Mr. Halbirt said to keep in mind that IRS applicant write-ups would still be required to show how each competency was met, but not how they met internal IRS requirements. Mr. Steiger was in favor of the IRS’ code of professional conduct, and wouldn’t mind incorporating it into the Board licensing process.

C. STATUS OF MENTORING PROGRAM MOU REPORT –Agenda Item 5.B

Mr. Wilberger reminded the group that last year they had received annual MOU reports in a variety of formats, and there was a desire to make it more streamlined. Using information from Cambia’s report, Mr. Wilberger submitted a form that can be sent to all of the current programs. There was some discussion around what information was needed, and whether they needed it at all each year. It was concluded that it would be valuable to have a more minimal report, to keep everyone updated on the status of the program, and so that the committee can keep statistics on program passing rates.

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D. PHILIP DAVIS WITHDRAWAL – Agenda Item 5.C

Mr. Pittioni explained that he wanted to make it a matter of course that the ultimate outcomes of denied applications would be reported. Recent applicant Philip Davis had elected to withdraw his application, and Ms. Adamson reported that recently deferred applicant Danielle Thomas withdrew her application to apply in the state of Georgia.

7. NEW BUSINESS

A. SUPERVISOR CONTACT PROCEDURES

Ms. Adamson requested that the committee streamline the procedures around reaching out to the supervisors of deferred applicants, and to clarify their expectations of staff. It was concluded that a deferment letter will be sent to the applicant, the committee reviewer will be copied, and then the reviewer will reach out to the supervisor if there is no subsequent response.

8. ADJOURNMENT

The committee adjourned at 1:23 p.m.

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