



Oregon Board of Accountancy Public Work Session Minutes October 20, 2013

Board Members:

Jessie Bridgham, CPA, Chair
Larry Brown, CPA, Vice Chair
Roberta Newhouse, CPA (by phone)
Al Crackenberg, PA
Roger Graham, Public Member
John Lauseng, CPA
Scott Wright, CPA, Treasurer

Guests:

Phyllis Barker, OSCPA
Dan Dustin, NASBA
Don Aubrey, NASBA

Board Staff:

Martin Pittioni, Executive Director
Susan Bischoff, Assistant Attorney General
Noela Kitterman, Investigator
Bethany Reeves, Compliance Assistant
Kimberly Fast, Licensing Program Coordinator

1. CALL TO ORDER

Vice Chair Larry Brown called the meeting to order at 8:37 a.m. and announced the meeting was being recorded.

2. Update from Laws and Rules Task Force

- A. September 20, 2013 Minutes were presented for information only.
- B. Initial Outcomes & Timeline Report
 1. Statutory Changes

Mr. Lauseng reported to the Board that the Laws and Rules Task Force (LRTC) met on September 20, 2013 and prioritized the statutory changes that they will focus on to ensure timely submission for the next Legislative session in 2014. Some key priorities on revisions to the statutes include removing the fees, remove specificity from statutes where appropriate and allow for flexibility in the rules accordingly. The Uniform Accountancy Act (UAA) is currently under review and comments on the exposure draft closed in October. Once the final version is released, the task force can recommend revisions to definitions. The Code of Professional Conduct is also being revised and rather than adopt as a whole, the task force will recommend references that need to be adopted.

The task force has also discussed the qualifications for licensure and the different experience paths. Mr. Graham has developed a report and will present to the Qualifications committee in November. There is much work to be done on this front and recommendations will most likely not be available until at least January or February.

It is anticipated that the task force will continue through 2014 and then the Board may wish to establish a more permanent standing Laws and Rules committee. Board members agreed that a special Board meeting should be held in January to review the recommendations prepared up until that point from the LRTC. That meeting will most likely be held on January 10, 2014.

3. NASBA Presentations

Mr. Dan Dustin, CPA and Vice President of State Board Relations and Mr. Don Aubrey, CPA and NASBA Pacific Regional Director, attended the Board work session and were introduced to the Board. Mr. Dustin has been visiting Boards around the country to update Boards on current NASBA projects and services available. NASBA is currently reviewing the Financial Reporting Framework for Small- and Medium-Sized Entities (FRF for SMEs), UAA Definition of Attest changes, and the impact of the AICPA codification of revised code of conduct, as well as a proposal in the exposure draft stage to amend the UAA to include firm mobility. Mr. Dustin also described some the services that NASBA can provide to State Boards including, CPAVerify, Accountancy Licensing Database (ALD), the NASBA International Evaluation Service (NIES). Forty states have accepted the NIES for foreign candidate education evaluation, which was established in July 2012. Forty-four states participate in the ALD and CPAVerify, with twenty-two reporting disciplinary actions.

Mr. Dustin addressed the concerns with the FRF for SMEs. NASBA has agreed to work with the AICPA and use GAAP headings, not OCBOA modified headings. NASBA has developed a tool for licensees to use to determine when the framework is the appropriate basis or not; the tool walks licensees through the decision making process.

Mr. Dustin discussed his knowledge of applicants obtaining experience under “other professional standards” as well as “industry” and how other states handle these issues. He believes that it is simply an evolution of practice. At one point CPAs were known for their attestation services and now the majority of the public uses CPAs for mostly tax services.

Firm Mobility Discussion

Mr. Dan Aubrey, Pacific Regional Director stated that he represents the interest of the Boards in the Pacific region and that he would address the topic of firm mobility and the proposed language that has been sent for comment to all state boards. The proposed language was approved at a NASBA Board meeting with a 9-2 vote to move forward with an exposure draft and set a 90-day exposure draft comment period. Mr. Aubrey urged the Board to consult with our legal counsel when reviewing the language to ensure we have the ability to take action on mobility firms when necessary. He also stated that the Board should be *very* specific with their response on firm mobility, especially with respect to clarity whether any concerns with firm mobility itself include concerns with its inclusion in the UAA at this time.

Board members discussed the matter. Board members were unified on the issue that the UAA should not be modified with respect to firm mobility at this time. Some Board members are opposed to the concept of firm mobility on policy grounds, while other Board members think that there is simply

insufficient information as to the impact of firm mobility to justify its inclusion in the UAA at this time. Mr. Pittioni was directed to draft the Board's firm mobility exposure draft comment accordingly, for review by the Board on December 9, 2013. Mr. Dustin advised that the comment period was extended to January 31, 2014.

4. UAA Exposure Draft

A. Definition of Attest

Board members reviewed the exposure draft for the definition of attest, which the Board supported in a comment sent to NASBA and AICPA. To implement the final version of the UAA definition in Oregon will require legislative action and the Board may want to use a placeholder approach since the final language may not be final until after the April 2014 deadline to submit legislative concepts into the executive branch review process. The purpose of the change seems to be to protect consumers from non-CPA franchises using attest language referencing CPA attest standards, implying that the issuers are trained in and accountable to these standards. Although this type of legislative change would not stop the non-CPA franchises from offering attest services, they would be prevented from using CPA-associated attest language. The proposed definition would also replace the term "attest" with "services" throughout the definition. The Laws and Rules Task Force will further review the changes and submit potential statutory language for Board review.

5. Private Investigator License Exemption Update

Mr. Pittioni had a meeting with the Department of Public Safety Standards and Training (DPSST) regarding an exemption to the statute which requires investigators to obtain a private investigator license through the DPSST. The Board contracts with investigators to help with the case load, however, the current language would require them to be licensed through DPSST. Initial conversations with the Director of DPSST has resulted in draft language proposed to the Board regarding a statutory change that could be presented at the February 2014 Special Legislative Session. OSCPA will be the sponsor of the bill. The draft languages is the effort of balancing the needs of the CPA industry with the needs of the regulating agency with a clear limit on when the exception to the PI licensing requirements are valid.

DRAFT MEETING SCHEDULE (from October 21, 2013 Public Session Agenda)

Board members were given a draft schedule of all committee and Board meeting dates for 2014. Board members reviewed and made some changes that will be noted and a revised calendar will be presented at the December 9, 2013 Board Meeting.

6. UPDATES ON INFORMATION TECHNOLOGY INITIATIVES

A. ALD/CPAVerify.org

The staff and the NASBA have made significant progress on the ALD/CPAVerify.org project. NASBA is funding this project and the Board staff are working on cleaning up the database so that all information uploaded to the ALD system is accurate and up to date. Disciplinary action will be reported, which will be the first time our disciplinary action will be linked to our licensing lookup directly. The Board currently reports disciplinary action on the Board's website in a .pdf document that the public can view either alphabetically or chronologically.

Mr. Pittioni reported that there has been significant work on the audit of firm files. The Board staff attended a peer review training hosted by the OSCPA and conducted by Phyllis Barker. Not only was the training very helpful on understanding how the peer review system works, it also became clear that the Board was not recording all relevant information for peer review in the database. Systems are now in place to ensure all relevant information is entered in the Board's database.

B. Online Licensing

Along with the ALD/CPAVerify.com project, the Board staff are also working internally on a project that will allow for online renewals in 2014. A law was passed at the 2013 legislative session that increased the total amount for personal service contracts from \$5,000 to \$10,000. From a system and logistics standpoint, there is a shot that we can use our current NASBA contractor, MSN Media, which is helping with the ALD project, to also help with the online licensing piece. By using MSN Media, the Board eliminates the need to go through the Request for Proposal (RFP) process, which can result in uncertainty on who will win the contract, and also allows the Board to use a contractor that is extremely familiar with the Board's database and is an expert in FileMaker.

Mr. Pittioni would like to begin work in November/December and begin testing in late January or early February. By March 2014, the Board should know if the system is ready for roll out by using a group of early adopters to renew early and test the system.

One of the problems in the previous IT project for online licensing was the CPE piece. Many agencies that have successful online renewal systems have one thing in common – an online experience that is simple, easy and quick. One way to achieve that experience is to add an attestation function for reporting CPE, which would mean the Board would not ask licensees to report specific CPE courses at the time of renewal, but instead have a licensee electronically attest that they have taken the required hours necessary to renew.

One option available to make the attestation of CPE work is to dual a dual audit structure where the Board does a high level audit (desk audit) and also a in depth review of all CPE reported (field audit). The licensees would be urged to complete the CPE reporting grid and have available if they are chosen for either audit. Mr. Aubrey, who is also a Board member in Washington, reported that in Washington's experience they provide the attestation function for renewals and have not seen an increase in non-compliance with CPE requirements. He also noted that any licensees who renew late are automatically required to submit all CPE proofs of completion to the Board office.

Board members discussed the matter and are comfortable with the check-box approach, with the assurance that the Board staff will do a timely audit and tell licensees that if they cannot show

documentation that the CPE was completed, they may lose their license. Board members would like Mr. Pittioni to contact Ms. Newhouse who was unable to attend this portion of the meeting and fill her in on the discussion.

8. NASBA International Education Services (NIES)

At the last Board meeting the Board talked about using the NIES as an additional option for candidates who received their education in a foreign country. Mr. Pittioni advised that since that discussion, it has become more apparent that the issue of choice and options may not be the best framework for the Board to consider this issue. Rather, it could be viewed as an equity and public protection issue tied to the fundamental function of ensuring that all applicants for examination and ultimately licensure meet the same standard. With respect to applicants with foreign credentials, as a regulatory board we set a standard of minimum educational qualification and are put in the position of relying on products from private business providers that have no stake in regulatory outcomes, and where there is no way for the Board to know whether a foreign credential analysis was done accurately, or over- or under-represents the credentials of the applicant. Mr. Pittioni advised that NIES is the only provider tied to an entity (NASBA) that does have a clear stake in the regulatory outcome which may explain why such a young service already has 40 states using NIES, including a subset using NIES exclusively.

This has not been brought to the LRTF for discussion, however, it is not something that should wait for the full rule review and be put off until 2015. Board members discussed the matter and agreed the Board should move now to become an NIES only-state for foreign credential applicants with a transition period. This rule could be effective as early as January 1, 2014.

7. NEWSLETTER COMMUNICATION STRATEGY

The Board reviewed a newsletter prepared by the NASBA team for the Montana Board of Accountancy. NASBA provides newsletter services to state Boards, using canned articles, specific Board written articles and formats in a professional and easily read document. Board staff will find out more about the service as well as the costs associated.

9. LETTER OF CENSURE

Senior Assistant Attorney General Susan Bischoff reviewed the options available to the Board for issuing letters of censure:

Option 1

ORS 673.170(1)(d) and ORS 673.170(1)(e) currently authorize the Board to “censure” licensees or permit holders as a disciplinary action. This could be done in a letter, and would only be issued after a finding of violation by the Board. This letter of censure would be a disciplinary action and would not be confidential, but would be a public document subject to public disclosure. If the licensee refused to agree to the letter of censure, they could request a hearing through the contested case process.

673.170 Disciplinary actions; grounds; investigations; costs. (1) *The Oregon Board of Accountancy may take any of the following disciplinary actions:*

(d) *Censure a person authorized to practice public accountancy in this state under ORS 673.153.*

(e) Censure the holder of any permit described in ORS 673.150 or authorization described in ORS 673.153.

Option 2

Another option could be a letter outlining the concerns of the Board, recommending process changes, and/or requesting the licensee to take additional CPE on a specified topic. If a letter like this were to be issued in the absence of the finding that conduct rose to the level of violation, thus it would not be a disciplinary action. The letter would encourage the licensee to do ABC things. This letter would not require the licensee to perform the corrective action, but it would document the Board's concerns. However, the letter could be an aggravating factor if the licensee engaged in the conduct of concern again. Staff could write this type of letter at the direction of the Board upon the close of an investigation were no violation was found.

Option 3

A stronger version of the non-disciplinary letter of concern is a "consent agreement" as provided in ORS 673.170(4).

673.170 Disciplinary actions; grounds; investigations; costs. (4) In lieu of disciplinary actions under subsection (1) of this section, the board may enter into a consent agreement with the holder of any certificate described in ORS 673.040 to 673.075, the holder of any public accountant's license, the holder of any registration described in ORS 673.160, the holder of any permit described in ORS 673.150 or the holder of any authorization described in ORS 673.153, under which the holder agrees to comply with conditions prescribed by the board.

This type of consent agreement would be issued IN LIEU OF disciplinary action. It is not the same as a Settlement Agreement and Stipulated Final Order which is a disciplinary action and which concludes a case where the Board found violations. In contrast, the voluntary consent agreement can be used without a finding of violation. A consent agreement is not a type of disciplinary action.

Adjournment: Public session adjourned at 3:42 p.m. and convened in Executive Session pursuant to ORS 192.660(2)(f)(h).