

OREGON BOARD OF ACCOUNTANCY
PEER REVIEW OVERSIGHT COMMITTEE
MINUTES - JULY 18, 2013

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

Members Present

Roy Rogers, CPA *Chair*
Stuart Morris, PA
Ryan Kramer, CPA

Board Liaison

Scott Wright, CPA

Staff

Martin Pittioni, *Executive Director*
Bethany Reeves, *Compliance Assistant*

Excused Absence

Nancy Young, CPA

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1. Call to Order
The Peer Review Oversight Committee convened by telephone on July 18, 2013. Chair Rogers called the meeting to order at 10:31 a.m. and announced the meeting was being recorded.
 2. Approval of Minutes
 - A. May 16, 2013

COMMITTEE ACTION: Moved by Mr. Morris and carried to accept the minutes of May 16, 2013.

VOTE: Unanimous - 3 ayes, 1 excused absence (Ms. Young)

3. Old Business
 - A. Personal Services Contract
 1. Consideration of contract version 8, with edits from counsel and OSCPA dated June 17, 2013

Director Pittioni discussed how this version of the contract is different than the version that was presented to the PROC at the previous meeting. He said that the OSCPA had reviewed the contract, and that most of the differences were related to language that would have required the contractor (the OSCPA in this case), to have a license. Chair Rogers asked about the requirement for the contractor to have insurance. Martin explained that the insurance requirements are written into the contract by the body that approves the contract (the BOA Board in this case), so the PROC would not need to make a specific recommendation on insurance levels to be carried by the contractor. The committee members reached consensus that the contract is complete and should go forward to the Board.

COMMITTEE ACTION: Moved by Mr. Morris and carried to recommend that the Board adopt the personal service contract between the Oregon Board of Accountancy and the Oregon Society of Certified Public Accountants as described in contract version 8, dated June 17, 2013.

VOTE: Unanimous - 3 ayes, 1 excused absence (Ms. Young)

4. Report of Board Action

Board Liaison Wright reported that the Board met on June 14, 2013. At that meeting, he communicated to the Board that the PROC is looking to the Board for direction on what the PROC's role will be. The members of the Board did not come to any consensus on what the role of the PROC would be, but they did ask the PROC members to provide some options for what their role could be. He also notified the PROC that Phyllis Barker of the OSCPAs had invited the members of the Board to come to the OSCPAs office for a day of training on what peer reviews are, how they are conducted, and how the OSCPAs facilitates that process. Finally, Mr. Wright notified that PROC that the next Board meeting is on August 11 and 12, 2013.

5. New Business

A. Discussion of the OSCPAs invitation

Director Pittioni discussed the invitation from Ms. Barker in more detail as an item of "new business". In regards to the OSCPAs invitation, Mr. Pittioni explained that the original idea was for BOA staff to visit the OSCPAs to gain this training, but the invitation was expanded to include both members of the Board and the PROC. Mr. Morris noted that he had done this in the past, and he gained assurance that the process is working, so he thought it was a good idea for all PROC members to accept the invitation. Mr. Kramer noted that he did not want to be directly involved in conducting peer reviews, but he would like to participate in the training from the OSCPAs. Mr. Morris confirmed that the visitors to the OSCPAs would be there only as visitors, not as peer reviewers, and he suggested they plan to go one at a time. Mr. Pittioni said the OSCPAs had requested a schedule of when different people would like to visit, and cautioned that attending one by one would be best so that attendance by a quorum of the PROC members would not trigger open meetings law. Mr. Wright clarified that the purpose of accepting the invitation would be to learn about the process generally, not to observe an individual peer review specifically. Mr. Morris then added that peer reviews are confidential, so no PROC members could observe an actual peer review. Mr. Pittioni will coordinate the schedule with those who wish to visit and the OSCPAs.

B. Discussion of possible regulatory actions for multiple failed peer reviews

Director Pittioni updated the PROC about the National Association of State Boards of Accountancy (NASBA) PROC Summit he attended on July 10, 2013, with Ms. Phyllis Barker of OSCPAs also in attendance from Oregon. Mr. Pittioni noted that having the PROC as a separate body from the Board is a best practice advocated by NASBA. Mr. Pittioni commented that many state Boards of Accountancy are challenged with how to link peer review to the compliance process after a firm has failed multiple consecutive peer reviews. Pittioni said that the core challenge is what to do when a program that is fundamentally educative in character and intended to be one-step removed from the Board yields no voluntary compliance by the peer-reviewed firm, and how to operationalize any potential compliance follow-up by the Board. NASBA is currently assembling data from across the nation to create an overview of what of the different states are doing. Mr. Pittioni's initial goal is to have the Board discuss and set clear expectations for what compliance action to take once a firm has multiple failed peer reviews. He said that current Administrative Rules allow the Board to take compliance action against a firm for failing peer reviews when doing so would help protect the public, but there currently is no clear path for when or how that would happen. In addition, there is an expectation of privacy for peer reviews, to allow a firm to gain compliance with peer review standards and take corrective action without triggering a Board case; therefore Pittioni intends to be sensitive to that expectation and establish a path where the Board could follow up on multiple failed peer reviews. Director Pittioni and the members of the PROC engaged in a discussion of possible ways to initiate enforcement action against firms that fail multiple consecutive peer reviews, and the challenges that are associated with various options. Some of the challenges include:

- Some members of the profession see peer reviews solely as a learning tool, and do not agree that they should not be used at all as the basis of any enforcement action.
- The OSCPAs conduct the peer reviews, but they do not have any regulatory authority.
- The Board would need to conduct its own investigation, and could not simply rely on the result from peer reviews not conducted by the Board as a basis for any enforcement action. There is an expectation of privacy for OSCPAs peer reviews.
- Asking firms to submit documentation from every completed peer review would be unwieldy.
- There is currently no Administrative Rule that requires firms that fail two consecutive peer reviews to self-report that information, and that also appears to be the case historically.

- Clarifying the process for initiating compliance actions.
- Ensuring Board actions are consistent and protect the public.

Mr. Pittioni described the most difficult challenge as defining what the follow up should be with the very small number of firms that have serious deficiencies as evidenced by repeated failure to comply with peer review requirements voluntarily. He also affirmed that although no representative of the OSCP was in attendance at this meeting, the Board is working closely with the OSCP on these issues.

C. Discussion of the role of the PROC

When considering the role of the PROC, Mr. Morris said he sees the primary PROC role as overseeing the performance of the peer reviews. He feels that the contract currently being negotiated between the Board and the OSCP will fulfill that role. In addition, he believes it would be beneficial for firms that have failed multiple times to be regulated by the regulatory agency when there is possible harm to the public. He suggested that the PROC might take a role in the regulatory process, to decrease the amount the time members of the Board would need to devote to addressing peer review issues. Mr. Kramer concurred that he was willing to be involved in various roles, at the Board's direction. Mr. Rogers and Mr. Morris agreed that PROC should wait for further direction from the Board.

Mr. Wright informed the PROC that the role of the PROC will be considered at the Board Work Session on August 11. As the Board Liaison, Mr. Wright thanked the PROC for the work they have completed so far and their willingness to do more work as needed.

D. Committee Membership update

The committee currently has three vacant member seats. A recent mailing solicited potential licensees who would be willing to serve on the Peer Review Oversight Committee. A couple of people have expressed an interest in serving on the PROC and Director Pittioni is responding to their questions. No one has committed to joining the PROC yet, but Mr. Pittioni is hopeful that they may join in the near future.

6. NEXT MEETING

The next scheduled meeting is scheduled for September 19, 2013. However, at this time it is not clear if there will be a need for the PROC to meet. If there is work for the committee, Board staff will send an email to members to confirm that meeting date.

Meeting adjourned at 11:21 a.m.