OREGON BOARD OF ACCOUNTANCY

Qualifications Committee

Minutes – November 13, 2013

PRESENT

Committee Members

Patrick Brown, CPA
Michael Halbirt, CPA (Vice-Chair)
Charles Landers, CPA
David Peterson, CPA
Rachelle Quinn, CPA
Denise Teixeira, CPA
Bryce Wilberger, CPA *(joined at approximately 10:35 a.m.)*
Susan Wolcott, CPA (Chair)

Board Liaison

Roger Graham, *Public Member*

Staff

Martin Pittioni, *Executive Director*
Kimberly Fast, *Program Coordinator*
Kristen Adamson, *Licensing Specialist*

Guests

Allyn Kirkham, *Licensing Applicant*

EXCUSED

Committee Members

Alan Steiger, CPA

1. CALL TO ORDER

The Qualifications Committee convened for an in-person scheduled meeting on November 13, 2013. Susan Wolcott, CPA, Committee Chair, called the meeting to order at 10:10 a.m. and announced that the meeting was being recorded.

2. APPROVAL OF MINUTES

A. September 11, 2013

There were no additions or corrections to the minutes from the last Qualifications Committee meeting held on September 11, 2013. Mr. Halbirt moved to approve the minutes as written. **MOTION PASSED**. 8 Ayes, 1 Excused (Steiger).

3. REPORT OF BOARD ACTION

Mr. Graham discussed Board action from the October 21, 2013 Board meeting. Approvals and deferrals were approved. Mr. Graham reiterated the need for guidance from the Board on experience qualifications, stating he had presentation slides to be shared later in the meeting.

4. PROGRAMS

A. IRS

Mr. Halbirt asked the Committee's role in approving the IRS program. He believed it was inactive at this time. The topic was delayed from the previous meeting, and the current draft outline is only a framework for where things could be going with an Oregon CPA licensing program. There have been communication challenges, and while there is interest, this is still in the beginning stages. Mr. Pittioni explained that this was the Committee's chance to evaluate what would be needed to feel comfortable moving forward with a program.

Mr. Halbirt and Ms. Wolcott agreed that separate work groups should discuss this in depth. Mr. Graham clarified that although the guidelines of the program seem to fit with our objectives, the Board does not formally "approve" these programs. A memorandum of understanding (MOU) could be set up in which the Board would help provide a framework that would help ensure that applicants are getting the requisite direct supervision and evaluation criteria; the function of the MOU would explicitly not be to provide a stamp of approval to any applicants coming through a program; each applicant still has to be evaluated on the merits. The MOU would clarify communication for the standards and expectations of the Board. Each program needs to be tailored to the organization participating in the program.

Ms. Wolcott suggested letting go of past reports and going forward by notifying all those with MOUs that they will need to submit a brief report at the January meeting. This would include a list of participants, how many are pending, and how many have completed the program. Mr. Halbirt, Mr. Landers, and Mr. Brown volunteered to contact Dave Wagner at the IRS to discuss the IRS program further, set up a timeline, and report back by the next meeting.

5. PENDING APPLICATIONS

A. Current Applications

1. Allyn Kirkham (Landers)

Ms. Kirkham passed the Uniform CPA examination in July 2010 as an Oregon candidate.

Experience was gained at the following employer:

IRS	81 months	All Competencies

Mr. Landers spoke with Ms. Kirkham and her supervisor, Mr. Wagner, and reviewed the documentation provided to support she has obtained the seven core competencies for initial licensing. A more specific write-up was requested because the original was focused on "what a revenue agent would do," and was not specific to her experience. Ms. Kirkham is auditing self-employed and small businesses, and has to understand the overall balance sheet of the companies. Ms. Kirkham and Mr. Wagner were operating under the program they believed was still active. Mr. Landers felt the competencies were met, but was concerned with the supervision because although the direct supervisor was a CPA, it was not the same supervisor doing the write-ups due to operating under the program.

COMMITTEE RECOMMENDATION: APPROVAL
Mr. Landers moved the Committee find there is sufficient evidence that the competencies were met by this particular applicant, but the recommendation will not reflect a stance on the IRS program. **MOTION PASSED**. 8 Ayes, 1 Excused (Steiger).

2. Nadya Kozyreva-White (Halbirt)

Ms. Kozyreva-White passed the Uniform CPA examination in May 2011 as an Oregon candidate. Experience was gained at the following employer:

Intel	98 months	All Competencies

Committee initially tried to call the applicant with no answer; the committee re-tired again at at 11:31 a.m. and reached the applicant. Mr. Halbirt shared that the applicant participated in the Intel mentoring program and overall he felt that the write-up was good. He did have questions with regard to the risk assessment and communication skills competencies. Mr. Halbirt received some clarification from the supervisor about Intel jargon, and a PowerPoint presentation, including an exit conference, which demonstrated the scope and conclusions drawn. (Mr. Halbirt advised that this additional information was not included in the Committee packets, but is included in the Board file.)

COMMITTEE RECOMMENDATION: APPROVAL
Mr. Halbirt moved that Nadya Kozyreva-White has sufficient evidence in her application to qualify for licensure. **MOTION PASSED**. 8 Ayes, 1 Excused (Steiger).

3. Dustin Poland (Brown)

Mr. Poland passed the Uniform CPA examination in May 2012 as an Oregon candidate. Experience was gained at the following employer:

Lithia Motors	118 months	All Competencies

Mr. Brown reviewed the documentation provided to support Mr. Poland has obtained the seven core competencies for initial licensing. He felt the experience was very sound, having both audits and GAF. Concern was expressed over the amount of interaction with the direct supervisor, but Mr. Brown spoke with the supervisor and found that Mr. Poland was his right-hand man, they worked together very closely, and he was confident in his abilities. The competencies overall were solidly supported, and questions around Entities Objectives were addressed more than adequately by the supervisor licensee.

COMMITTEE RECOMMENDATION: APPROVAL
Moved by Mr. Brown and carried to find that there is <u>sufficient</u> evidence that Dustin Poland has demonstrated the competencies necessary for licensure. **MOTION PASSED**. 8 Ayes, 1 Excused (Steiger).

4. Michael Davis (Teixeira)

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

Carolleen Lovell, CPA	12 months	Competencies A, C, F and G
FEI Company	14 months	Competencies B, D and E

Ms. Teixeira reviewed the application and was disappointed because the write-up was not strong. Ms. Lovell's competencies evaluation had several items that were exactly the same. FEI's evaluation only covered the competencies that the CPA firm did not. Ms. Teixeira felt that professional ethics, decision making, quality of communications, and experience preparing working papers should have been checked. Although she did not call the supervisors, she felt that the reviews had been rushed and not given a lot of care. The majority of experience appeared to be in travel expense and accounts payable, and not quite a year; therefore she did not feel there was a breadth of necessary experience.

COMMITTEE RECOMMENDATION: DENIED

Ms. Teixeira moved that there is insufficient evidence to demonstrate Mr. Michael Davis has achieved competency in the seven core areas.

MOTION PASSED. 8 Ayes, 1 Excused (Steiger).

5. Kari Russill (Steiger)

Ms. Russill passed the Uniform CPA examination in April 2011 as an Oregon candidate. Experience was gained at the following employer:

Intel	158 months	All Competencies

Although Mr. Steiger was unable to attend the Committee meeting, he reviewed and wrote a recommendation of sufficient evidence to move this applicant forward.

COMMITTEE RECOMMENDATION: APPROVAL

Ms. Wolcott (on behalf of Steiger) moved that Kari Russill be issued a CPA license.

MOTION PASSED. 8 Ayes, 1 Excused (Steiger).

6. Hanh Le (Peterson)

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

Bonneville Power Admin	66 months	All Competencies

Mr. Peterson noted that applicant sought advice and held ground on ethics competency. Competency B, understanding of objectives, was narrowed to her specific business unit rather than the BPA as a whole. There were good examples and documentation of understanding of contracts and processes. She provided training as well. Ms. Le created flowcharts and

narratives, understood how transactions moved from the trading floor to financial statements, and worked on non-performance risk assessments of BPA's contract counterparts and evaluation assertion. Mr. Peterson appreciated hearing a high level of what was done and then seeing the details of at least one example for each competency.

COMMITTEE RECOMMENDATION: APPROVAL
Moved by Mr. Peterson and carried to find that there is sufficient evidence that Hanh Le has demonstrated the competencies necessary for licensure. Mr. Halbirt discussed issue of confusion about risk assessment and credit risk, and advised he did not think the applicant met the risk assessment competency.
MOTION PASSED. 7 Ayes, 1 Nay (Halbirt), 1 Excused (Steiger).

7. Erin Richmond (Quinn)

Ms. Richmond passed the Uniform CPA examination in May 2011 as an Oregon candidate. Experience was gained at the following employer:
Levi Strauss 19 months

Ms. Quinn noted that applicant was in several different roles at Levi Strauss, but not in a traditional audit function. The company made a point to draw a dotted line from the supervisor to the applicant. Ms. Quinn felt comfortable that the signing supervisor did have sufficient direct reporting responsibility. There were concerns about the amount of time the applicant was supervised and the time the supervisor licensee was active to be qualified to evaluate the competencies. Going forward Ms. Richmond can be advised that if she wants to be licensed, she must accrue one year of experience under a qualified supervisor licensee. Average 20 hours per month has been the past standard for meaningful supervision. Mr. Peterson felt that the write-up reads more like a mentoring relationship. As long as the supervision meets the criteria, the Committee will consider experience from April 2012 forward.

Ms. Quinn noted professional ethics and conduct. Understanding objectives points to the different European organization affiliates she works with, unique risks, and analyzing key performance metrics for each. Ms. Richmond also had experience with internal control testing and reporting, and estimating for litigation. She understands information and data flow for 6+ transaction systems. Risk assessment appeared to be her weakest competency, and the write-up on the decision making was vague. Examples are fairly sound.

COMMITTEE RECOMMENDATION: DEFERRAL
Ms. Quinn moved that the Committee defer until more can be learned about the mentoring/review/support relationship, and more information on competencies B, E, and F.
MOTION PASSED. 8 Ayes, 1 Excused (Steiger).

B. Deferred Applications

1. David Teirney (Brown)

The application for Mr. Teirney was initially deferred to request additional documentation for competencies D and E. Mr. Brown was able to reevaluate the candidate's experience against those competencies, but asks if supervisors are making the effort to do a comprehensive write-up on the first try. He suggested some kind of reminder in the original request for information that answers be a "thorough best effort" to eliminate the need to request more information later. Mr. Brown felt that this candidate had strong experience for each of the competencies that were initially questioned, but that was just not documented on the first go round. Mr. Graham and Mr. Pittioni indicated that the staff try to emphasize this, but it is just as frustrating at the staff level as it is at the Committee level. Applicants seem to focus on it being "one year" of experience, as opposed to meeting the competencies.

COMMITTEE RECOMMENDATION: APPROVAL

Mr. Brown moved the Committee recommend approval for the application of David Teirney to be issued a CPA license.

MOTION PASSED. 8 Ayes, 1 Excused (Steiger).

2. Francis DeMonte (Wilberger)

Mr. Wilberger contacted the supervisors and then received notice from Board staff that a 90-day grace period had been granted to complete the application. He has not heard anything since.

COMMITTEE RECOMMENDATION: CONTINUED DEFERRAL

6. NEW BUSINESS

A. Licensing Program Discussion (Graham)

As a continuation from what was discussed at the last meeting, Mr. Graham shared that there is a task force developing proposals for the Board to make changes in the laws for licensure, and offered the presentation as a way to start a conversation and give the opportunity to affect change. The three general issues he feels are:

1) What experience qualifies for licensure in the broad context
2) Experience requirements in specific contexts differs across groups
3) Interpreting the experience requirements

There are three avenues to licensure. One through the attest or assurance track—pubic practice or government agencies. Another through "other professional standards." This includes consulting services, tax practice, personal financial planning, internal audits, regulatory agencies and management consulting within a public accounting firm. These two types of applications would not come before the Qualifications Committee. The third avenue that tends

to come before the Committee is "industry, government and other," under the direct supervision of a PA or CPA. Mr. Graham asked if this or allowing experience in other professional standards (OPS) should be allowed, and cautioned there are people with very strong opinions that the Board should not be licensing people from industry. He understands licensing audit and tax, but not the others, especially if the connection to accountancy is weak. "Because CPAs do this kind of work, then therefore this kind of work qualifies for someone to become a CPA" seems like a backward argument.

Mr. Pittioni has observed there is not unity among different states about what the tracks are that can lead to licensure. When a generalist license to practice is given by a regulatory board, what comes with the territory is that the person holding the license may not be qualified to engage in all specialty areas that are included in the scope of practice connected to the generalist license . Each individual with a generalist license needs to know the boundaries of their experience and training, and many professions have specific ethics rules that consider it a violation for a license to engage in an area of practice they have insufficient training in.

Mr. Graham stated that there are people who believe quite strongly that you license everyone and then control it after they are licensed by CPE and the Board's rules and ethics. He points out that the Committee holds the applicants to a very high level, which is not the case for everyone. Other applicants are routinely approved with little or no scrutiny. It's not clear to the staff which applicants should get scrutinized. In the past, prior to Mr. Graham reviewing OPS track applicants, they would get no additional review because the staff do not have the expertise. Mr. Graham felt that if they did need to come before a Committee like Qualifications, applicants would not pass through.

Should all applicants be expected to meet the competencies, or just the majority? Yes. Should the competencies be tailored to the OPS as it seems to be with industry? Yes, but they are not now. Should the competencies be tied to accountancy per ORS 673.015? Mr. Graham likes ORS 673.015, the statement of public interest in regulating practice of accountancy because it is an anchor principle. Maybe the issue is that accountancy can't be defined. Mr. Pittioni shared that Oregon is a state that has a definition, but at the UAA level there isn't one. Mr. Graham feels there is a conflict of interest when the Board looks to the AICPA for how to do things.

Understanding the competencies can be looked at using Bloom's taxonomy model—higher order skills/lower order skills. Higher order skills such as critical thinking and problem solving, analysis, evaluation and creation are preferred.

Competency A – Understanding the Code of Professional Conduct

Understanding

Competency B – Ability to Assess the Achievement of an Entity's Objectives

Understanding/Assessment/Analysis

Competency C – Experience in Preparing Working Papers

Experience is lower level/can't be easily challenged

Could be worded differently to include analysis

Competency D – Understanding Transaction Streams and Information Systems

Understanding/Inference/Evaluation/Assess adequacy of internal controls

Competency E – Risk Assessment and Verification Skills

Higher Order/Understand what risks they are looking for/Factors affecting

Competency F – Decision Making, Problem, Solving and Critical Thinking

Higher Order

Competency G – Quality of Communication

Lower Order

Mr. Graham believes the competencies can be tailored to tax, but not consulting or fields without extensive standards. He asked the Committee to think about eliminating some competencies or tailoring them to be more appropriate. Should we license people who have no connection to Oregon? There is a concern over out-of-state people. Mr. Halbirt is in favor of a longer term of supervision. That idea did not find favorin the past because the issue is not a specific time period but about whtehr or not an applicant has met the competencies. Many feel competencies can't be accomplished in one year or less. It might be considered to have different timelines for multiple tracks, or increasing the minimum supervision experience time. The competencies need to be applied uniformly across all applicants. Certain occupations, such as financial planning/management consulting, are more uncomfortable for some members on the Committee to license. Mr. Graham will write up these ideas and distribute, including the rules committee.

B. Committee Membership

Expirations on the roster should be 12/31/14 rather than 2012. Mr. Wilberger and Mr. Steiger are eligible for reappointment. Mr. Wilberger volunteered to extend two more years and staff understand that Mr. Steiger would like to extend as well.

Ms. Wolcott reminded the Committee that previously the Chair was determined in the last meeting of the year. Alia Adams will be added to the Committee to replace Ms. Wolcott.
Mr. Landers made a motion that Mr. Halbirt be the 2014 Chair. Ms. Teixeira volunteered to be Vice-Chair.
MOTION PASSED. 8 Ayes, 1 Excused (Steiger).

C. 2014 Calendar

Staff will pull together responses, and preferences about which meeting will be in person or telephone. The next meeting will be January 15, 2014 by telephone.

6. ADJOURNMENT

The committee adjourned at 1:28 p.m.