



Oregon Board of Accountancy

Laws and Rules Task Force

Minutes

Monday, January 6, 2014 at 10:30 a.m.

Board of Accountancy/Large Upstairs Conference Room
3218 Pringle Rd SE, Salem, OR 97302

Present:

John Lauseng, CPA, Chair

Scott Wright, CPA, Board Member

Roberta Newhouse, CPA, Board Member (by phone)

Roger Graham, Public Board Member

Steve McConnel, Retired CPA

Alan Steiger, CPA

Stuart Morris, PA, OAIA

Sherrie McPherson, OSCPA

Martin Pittioni, Executive Director

Kimberly Fast, Licensing Program Coord.

Susan Bischoff, AAG

Noela Kitterman, Investigator

Bethany Reeves, Compliance Specialist

Kristen Adamson, Licensing Specialist

1. Call to Order / announce recording of meeting

Mr. Lauseng called the meeting to order at 10:30 and announced the meeting was being recorded.

2. Review Recommendations for Statute Changes for 2015 Session

A. Board Authority

At the last Laws and Rules Task Force Meeting (LRTF) the committee discussed how to balance specificity in statute versus administrative rule as it pertains to the Board's authority to accomplish a clearer and more consistent framework. That policy issue remains, and options were presented to the committee for review. Mr. Pittioni drafted two options for consideration, option 1 was crafted with a narrow approach, leaving 673.410 untouched. ORS 673.410 is the statute that refers to the Board membership, enforcement authority. Option 2 was crafted with a more broad approach with far more specific authority language that is much closer to best practice in Oregon. The committee preferred option 2.

The committee recommends to the Board Option 2 as the preferred language to move forward with.

The committee discussed the value of having the fees remain in statute versus removing them. Very few agencies have fees in statute and it is considered best practice to have fees in administrative rule only. Statutory fees are very difficult to change, whereas in rule, there is more flexibility, which concerned some members. Mr. Pittioni explained that fee changes made through the administrative rule process still has legislative oversight, as all fee increases or decreases must be reported to the legislature and approved.

B. Definition of Attest Concept

Mr. Steve McConnell drafted amendments to the definition of attest, using the Uniform Accountancy Act (UAA) as guidance. The UAA amended the definition of attest by adding any examination, review or agreed upon procedures engagement to be performed in accordance with the SSAE, other than an examination of prospective financial information.

Mr. McConnell amended the definition of “report” using the UAA definition and the Boards’ safe harbor language and tied the two together. The definition of report was modified by changing broadening the reference to financial statements and adding any attest or compilation service. It was noted that the same framework should be used in ORS 673.445, Code of Professional Conduct; accounting standards; rules.

The committee recommends the amendments as presented.

C. Definitions Concept

Mr. Pittioni drafted amendments to ORS 673.010, definitions. The proposal changes some definitions but does not address the definition of “attest” as it is in a separate legislative concept. The definition of client, as amended, was discussed as to whether or not the word “agrees with” should be changed to “engage with”. In the end, the committee opted for the language that was presented in the draft prepared by Mr. Pittioni.

The committee recommends amendments as presented.

D. Firm Registration Statutory Language in ORS 673.160

The statutes regarding firm registration are contradictory to rule and are very hard to follow. Mr. McConnell and Mr. Lauseng would like to bring our statutory language closer to how the UAA reads for firm registration.

The committee recommended and Mr. Pittioni will draft, language in statute to be updated with UAA language for firm registration in Oregon.

E. Cease and Desist / Emergency Suspension Concept

Currently, ORS 673.170 contains no explicit emergency suspension language and language provided in ORS 673.173 carries weak authority for cease and desist orders that only kick in 30 days after issuance and are subject to the delays of regular hearings process if a hearing is requested. Mr. Pittioni drafted alternate language which allows the cease and desist order to run simultaneously with the contested case process. Ms. Bischoff, Board counsel, suggested using the term “serious” rather than

“immediate” when referring to the harm of the public. The matter must be resolved within 30-60 days, which creates a high hurdle for Board staff, but needed to adequately protect the public.

The committee recommends moving forward with proposed changes.

F. Discussion of IRFS / AIS and potential change to ORS 673.445

The Board statutes address many frameworks in statute but none are reporting frameworks. The statutes reference that the Board will adopt standards by rule, but also indicate what standards to adopt in statute which is redundant and unnecessary. The UAA separates the professional standards from the Code of Professional conduct.

The committee discussed when the term “may” and “shall” should be used. They determined that the term may is appropriate for the Code of Professional conduct and shall should be used when referencing the professional standards. Mr. Pittioni will research the UAA language in ORS 673.445 and use the term shall for review at the next meeting.

4. Licensing Paths follow-up

Mr. Graham prepared an outline for committee and Board discussion regarding licensing paths for CPA applicants. Currently, all applicants must have 150 semester hours of education, one year public accounting experience or the equivalent thereof, and pass the ethics exam. The Board requires a licensed CPA to document the applicants experience and send in written documentation supporting their responses to achievement of competencies. It was suggested that the Board/committee consider having the applicant prepare the documentation for the supervisor licensee’s approval. This would likely result in a more comprehensive and detailed write-up explaining the applicants experience. In addition, it was suggested to no longer use the ‘check-box’ system and basically use that piece as guidance. The check-box system does not give detail on how the applicant is competent. In addition, it was suggested that applicants who achieve experience with consulting and/or personal finance will no longer be considered.

Another suggested change is to require an applicant to have at least 2 years of experience if obtaining experience in attest or government audit, 2 years for those receiving experience in tax or the IRS and 3 or 4 years for those gaining experience in industry. The Qualifications committee currently reviews all applications under the industry path, however, a separate committee may need to be formed to review applications by those who received experience in attest/tax/government and IRS.

Other suggested changes to the licensing requirements is allowing candidates to sit for the CPA exam before obtaining 150 semester hours. There are states, currently, who allow a candidate to sit with 120 semester hours and the required accounting and related subject requirements, however, the 150 must be achieved before a license will be issued. Some states require that the additional 30 hours be completed within 3 years of passing the examination. In addition, requiring specific accounting courses

should be considered and not allow the use of sophomore level accounting and related subjects to meet accounting requirements. Ms. Newhouse reported that Oregon is 1 out of 9 states that require the 150 at the time of exam.

The committee discussed the effect of requiring additional year(s) experience as it relates to substantial equivalency. It was suggested that using language that states *at least* one year of experience and meet all competencies may work. An applicant would have the option of applying after one year and approved if the competencies were well documented.

Mr. Pittioni will draft language for the statutory options to present to the Board at its work session meeting on January 10, 2014.

5. Confidentiality Discussion

The committee and Board have expressed interest in revising the confidentiality statutes to allow for more transparency in cases where a violation is found, and allow greater confidentiality to those cases where a violation was not found. Before drafting language, the Board will discuss at their meeting on Friday, January 10, 2014 to determine how to proceed with revision to these statutes.

6. Other items from committee members

Mr. Pittioni explained that the Board is currently dealing with the lack of a fitness to practice provision in statute as it relates to candidates for the CPA examination. This is an item that is currently information only for the committee and Board.

Counsel briefly discussed the nexus requirement in 670.280 and recommended that the Board consider working with other boards to develop a proposal for a potential loosening of this requirement, to allow some consideration of specified criminal conduct by regulatory boards without need to establish a nexus.

7. 2014 Timeline Review and Schedule of Next Meeting

The next meeting should be schedule in the spring as the task force has taken the statute piece as far as it can and it is now up to the Board to determine what they want to move forward on. The next meeting will address administrative rule revisions. The committee agreed to May 14, 2014 at 10:30 a.m.

The meeting adjourned at 3:01 p.m.