

OREGON BOARD OF ACCOUNTANCY
PUBLIC WORK SESSION AND BOARD MEETING MINUTES
October 21, 2012

Board of Accountancy Office

2nd Floor Conference Room

Salem OR

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

BOARD MEMBERS:

Roberta Newhouse, CPA, *Chair*
Jessie Bridgham, CPA, *Vice Chair*
Ann Ferguson, CPA, *Treasurer*
Roger Graham, *Public Member*
Larry Brown, CPA
Scott Wright, CPA

GUESTS:

Raymond Johnson, CPA
Stuart Morris, OAIA
Phyllis Barker, OSCP Representative
Bill Moseley, GL Solutions

BOARD STAFF:

Martin Pittioni, Interim Executive Director
Kimberly Sisk, Exec. Assistant
Noela Kitterman, Investigator
Susan Bischoff, AAG
Heather Shepherd, Cte. Coordinator
Cathy Orias, Cte Coordinator

EXCUSED:

Al Crackenberg, PA

Items appear in the order of occurrence.

1. **CALL TO ORDER** at 11:51 a.m. The Vice-Chair reminded everyone that the meeting was being recorded.
2. **IT PROJECT FORWARD LOOKING REPORT FROM LARRY BROWN**
Mr. Brown outlined for the Board what has happened in the last few weeks regarding the due diligence review of the IT project. Shortly after the termination of former Executive Director Pat Hearn, it was discovered that the IT project was very behind schedule and that a review of the project needed to be conducted by an outside source. Mr. Pittioni has contacted the Department of Administrative Services, Office of the State Chief Information Officer to review the project and submit an independent review.

Mr. Moseley, owner of GL Solutions attended the meeting and was available for comment and questions. Mr. Moseley was invited by the Board to give his perspective. Mr. Moseley gave an overview of his company and reported that the Board of Accountancy's system is 98% complete.

Mr. Moseley indicated that going forward with the project will require that the Board's Director will need to have strong leadership skills and manage staff and the ability to manage the project manager. He also indicated that the director needs to know what is happening with the project and have the ability to clearly communicate the Boards expectations of GL Solutions.

On the GL Solution side of the project, Mr. Moseley expects his team to bring talent and the ability to accomplish the software side with commitment and patience and responsiveness. Mr. Moseley

prepared a series of questions for the Board, which he read. The Board requested a copy be sent to the interim director by email and that the Board would respond to the questions at a later date.

Mr. Brown stated that the Board has a significantly different view on the completeness of the project. The Board believes the project is around 45% complete, and GLS states 98%. Mr. Brown asked Mr. Moseley to elaborate and explain such a drastic difference.

Mr. Moseley stated that the system is currently built so that staff can do each back office process from beginning to end if staff does not try to 'break' the system or include a task that may be unusual to the process.

Mr. Moseley suggested some alternative solutions for moving forward on the project. Mr. Moseley suggested one option is to proceed with the current project, although he does not recommend that choice; or keep the current scope, and focus on going live with the back office and build the public side (website) at a later date. The third option presented was for the Board to select the GL Simple solution. GL Simple is GLS's maintenance program. This option would take the current system to a functional system and then build enhancements over time.

3. **ADMINISTRATIVE RULES**

A. Appoint Statute and Rule Review Task Force

The Board has asked for volunteers to form a task force to review the administrative rules for consistency, comparison to the Uniform Accountancy Act (UAA) to determine alignment with the Board statutes. The task force will also review references to determine if still applicable, and assess potential changes, additions or deletion of current rules. Jessie Bridgham, Ann Ferguson and Scott Wright volunteered to serve on the task force. The Board would also like representatives from the Department of Justice and Oregon Society of CPAs.

B. Proposed Rule Amendments

1. OAR 801-001-0035

This changed is made annually to reflect the current year for which professional standards will be used. The Board directed staff to file the proposed rule amendment for Division 001 as presented.

2. OAR 801-010-0080 Reciprocity Rule

The current rule refers to a section of the Uniformed Accountancy Act (UAA) which is not applicable to reciprocity applications. Also, the current rule does not require an applicant who obtains a license in a state under licensing requirements that are less than Oregon requirements to hold the active license for four out of the last ten years as stated in the UAA. The Board has seen applicants who have obtained a license in a state which has been deemed substantial equivalent by NASBA, but the individual is not license under the 150 hour requirement. The individuals are then applying by reciprocity and obtaining an Oregon CPA Certificate and Permit to Practice Public Accounting. Ms. Shepherd was directed to draft the rule so that an individual applying for a reciprocal license from a state that has been determined to be substantially equivalent, who obtained licensure after December 31, 1999, and who, as an individual, does not meet the 150 hour education requirement, be required to have an active license four out of the last ten years.

4. Considerations for becoming Semi-Independent

The Board should determine whether or not it wishes to put forth an effort this legislative session to pursue semi-independence. There are not indications that the Governor's office will support semi-independence, particularly because of the recent Director change and the work that needs to be done internally. Mr. Pittioni asked Mr. Jim Heider, the Executive Director for the Board of Physical Therapists which is a very well respected semi-independent agency, to speak to the Board and give perspective on what it looks like to be a semi-independent agency.

Ms. Newhouse spoke with the society about continuing the effort to get the fees out of statute this upcoming session regardless if the Board chooses to approach the executive branch for approval to move forward on semi-independence.

5. Secretary of State Audit Division Experience

At the August 6, 2012 Board meeting, the Board discussed an applicant who had gained her experience while employed at the Secretary of State Audits Division (Division). The Division signed off on her experience under the audit and attest category. The Qualifications committee questioned whether or not a governmental agency can use the audit and attest category, which is generally only used by registered firms. The Board ultimately approved the application and asked Mr. Graham to review the Divisions program and determine if it was adequate to meet the standards of the Board.

Mr. Graham met with the Division on October 11, 2012 and reported that the path to gaining a CPA license appears rigorous, well specified and well managed. Experience is granted only for actual supervised audit work and no experience is granted for performance audits. The Division follows the AICPA auditing standards and requires a minimum of two-years of experience to be considered for licensure. Mr. Graham concluded that the experience gained at the Division is good and it warrants the Boards confidence.

6. New Board Member Suggestions

Ann Ferguson's position on the Board will be expiring on December 31, 2012. The Governor's office typically prefers a pool of names in which to choose from. The OSCP has put forth at least one name and there are a couple of people currently serving on the Complaints Committee that may be good candidates. Board members were encouraged to contact Mr. Pittioni if they had a name of an interested person.

7. Proposed 2013 Meeting Calendar

Board members were asked to review the proposed meeting schedule and bring forth any conflicts to Board staff. There will also be some tentative teleconference meetings scheduled between meetings in case there is a need.

8. Key Performance Measures – Discussion deferred

End of Work Session

BOARD MEETING

1. Approval of Minutes

A. August 6, 2012

The minutes were distributed. There were some modifications and additions to be made, therefore, Board staff will redraft and present to the Board at their next meeting in November.

B. August 16, 2012

BOARD ACTION: Moved by Mr. Graham and carried to accept the minutes with minor corrections.

VOTE: 5 ayes, 1 abstention, Wright and 1 excused, Crackenberg

C. August 27, 2012

BOARD ACTION: Moved by Mr. Wright and carried to approve the minutes with some minor editorial changes.

VOTE: 6 ayes, 1 excused, Crackenberg.

2. Public Comments

A. NASBA Regional Director Report

Dr. Raymond Johnson is the current Western Regional Director and was present at the meeting. Dr. Johnson noted that he had been nominated to serve the At-Large position with NASBA, which would in turn remove him from the Regional Director position. NASBA has a variety of tools and templates available to help boards with communications to their licensees and the public particularly help with newsletters.

The AICPA will be putting out a new codification on ethics around April 2013. Dr. Johnson suggested that the Board review and ensure that there are no conflicting messages for licensees.

3. Report of OAIA

Mr. Morris reported that the OAIA is launching the Fall education programs which will run until January.

4. Report of OSCPA

Ms. Barker reported that Ms. McPherson is attending the AICPA Council Meeting and Mr. Orme had a prior commitment. The Professional Issues Update will be held on December 6, 2012. Ms. Newhouse will make a presentation to the group.

5. Old Business

A. Al Fleckenstein

The reciprocity application for Mr. Fleckenstein was deferred from the August 6, 2012 Board meeting pending further information from the applicant. The Board sent a letter to Mr. Fleckenstein requesting a detailed written description of the professional relationship with the two individuals listed as his supervisor licensee's. The Board also asked for a written explanation regarding the decision to apply

for a Washington CPA license in May 2012 based on CPA exam scores that were obtained as an Oregon candidate in May 1986 while employed in the State of Oregon.

Mr. Fleckenstein responded to the Board's letter and provided the requested explanations.

BOARD ACTION: Moved by Mr. Graham and carried to approve the reciprocity application submitted by Mr. Fleckenstein.

VOTE: 5 ayes, 1 nay, Graham, 1 excused, Crackenber

B. Margaret McDowell

Ms. McDowell was discussed at the August 6, 2012 meeting, where Board Members were made aware that Mr. Hearn, the previous Executive Director, offered Ms. McDowell the option of resigning her license even though the Board had accepted the Stipulation and Order that was signed by Ms. McDowell.

Ms. McDowell has filed a complaint with the Secretary of State hotline, where she claims that the Board did not follow our own processes when handling her case. Ms. Bischoff recommends the Board consider ratifying the previous Stipulation and Order to change the civil penalty due date, that only requires she take an additional 16-hours of CPE if she decides to take on an audit client.

BOARD ACTION: Moved by Mr. Graham and carried to ratify the Stipulation and Order signed by Ms. McDowell with the modification to the CPE requirement and changes to various dates throughout the document.

VOTE: 6 ayes, 1 excused, Crackenber

6. CONTINUING PROFESSIONAL EDUCATION

A. Minutes of September 11, 2012

The minutes from the September 11, 2012 CPE Committee meeting were submitted in draft format for the Board's information.

B. Municipal Auditor Applications

1. Approved Applications – The CPE Committee made recommendations to the Board to approve Municipal Auditor Applications for the following individuals:
 - a. Kevin Smith
 - b. Yiann Fang
 - c. Mitch Saul
 - d. Ann Kim
 - e. Dyette Perry
 - f. Alexander Beckman
 - g. Kara Brausen
 - h. Kristen Diggs
 - i. Darlene Wilson

BOARD ACTION: Moved by Ms. Ferguson and carried to accept the CPE Committee recommendations to approve the applications for Municipal Auditor applications for all nine applicants listed above.

VOTE: 6 ayes, 1 excused, Crackenberg

C. Items for discussion

1. Municipal Auditors Screening Tool/Checklist – The CPE Committee recently implemented a standardized screening tool that was developed by CPE Committee member Gerry Burns. This screening tool will be used from here forward to help ensure all applications to the Municipal Auditor’s Program are screened in a standardized process to ensure each applicant has reported the required minimum CPE before being reviewed in depth by the CPE Committee. The Board expressed appreciation for Mr. Burns’ contribution in developing this tool and improving the CPE review process.

7. PEER REVIEW OVERSIGHT COMMITTEE

A. Minutes of September 25, 2012

Minutes were provided for Board information only.

B. Peer Review Waiver Requests

1. Amanda Walker – ALW Consulting

Ms. Walker sent an email to Mr. Patrick Hearn, the previous Executive Director, requesting proof from the Oregon Board of Accountancy that she was no longer required to have peer review completed since she had no future engagements.

Board Discussion: The current administrative rules do not give the Board authority to waive the peer review requirement. Based on the information provided, it does not appear that the firm ALW Consulting would have been required to complete a peer review in 2012 based on the firm terminating in December 2009.

BOARD ACTION: Moved by Ms. Ferguson and carried to waive the Peer Review requirement for *ALW Consulting*.

VOTE: 6 ayes, 1 excused, Crackenberg. Motion failed.

2. Paul E. Adkisson Certified Public Accountant PC

Mr. Adkisson has requested a waiver for Peer Review based on his firm only performing one financial statement in June 2011. The firm has not been enrolled in peer review since the early 2000’s. The firm is still an active registered firm.

BOARD ACTION: Moved by Ms. Ferguson and carried to waive the Peer Review requirement for *Paul E. Adkisson Certified Public Accountant PC*.

VOTE: 6 ayes, 1 excused, Crackenberg. Motion failed.

3. David W. Freeman CPA PC

Mr. Freeman requested a waiver for his current Peer Review based on a medical condition, which has been verified by his medical doctor.

BOARD ACTION: Moved by Ms. Ferguson and carried to waive the Peer Review requirement for *David W. Freeman CPA PC*.

VOTE: 6 ayes, 1 excused, Crackenberg. Motion failed.

Board Discussion: The Board requested that the sub-committee for the administrative rules look at Division 050 to determine should include language which would allow the Board to grant an exemption from a required Peer Review on a case-by-case basis.

C. Review of Peer Review Exceptions Letter

The Board did not review the proposed letter because the Board does not have authority in statute or administrative rule to waive the Peer Review requirement.

D. Review amended contract for Peer Review Program

The proposed draft contract and proposed administrative rule changes have been sent to the Oregon Department of Justice – Contract Unit (DOJ) for review and comparison. Once the review and comparison are complete, the proposed contract will be submitted to the OSCPA for review. The goal is to have the proposed draft contract on the December 2012 Board meeting agenda.

8. CPA EXAM

A. Exam Statistics

Statistical information regarding the CPA examination was presented to the Board. The document outlines the number of candidates that applied during each testing window and the passing rates.

B. Tenzin Choephel

Ms. Choephel sent a request to the Board requesting that the expiration dates for her passed exam sections be extended for medical purposes. The Board reviewed the documentation from Ms. Choephel as well as her physician's recommendation.

BOARD ACTION: Moved by Mr. Graham and carried to grant the request to extend the expiration dates for Ms. Choephel's passed exam sections.

VOTE: 6 ayes, 1 excused, Crackenberg.

9. REPORT OF CHAIR

Ms. Newhouse reported that she will be attending the National NASBA meeting. Board members are encouraged to attend NASBA meetings and get involved with NASBA committees.

10. REPORT OF VICE CHAIR

No report provided.

11. REPORT OF TREASURER

A. Cash Flow – Handout

Board members were given a new cash flow report which outlined more accurately the current status of the Board's funds. The personnel services are not straight lined, except for the temporary employee currently employed.

The Board has hired contract investigators to help with the case workload. The IT piece was changed from an estimate to what the Board has actually spent so far on the project and what is available to spend in the future. Mr. Pittioni noted that the Board's lease has still not been signed and that the current extension is up on October 31, 2012.

12. ITEMS FROM EXECUTIVE DIRECTOR

All items under the Executive Director report were deferred to Monday, October 22, 2012

Adjourn at 6:17 p.m.