



Oregon Board of Accountancy Public Work Session Minutes January 10, 2014

Board Members:

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

Guests:

Phyllis Barker, OSCPA
Tim Filkins, OSCPA

Board Staff:

Martin Pittioni, Executive Director
Susan Bischoff, Assistant Attorney General
Noela Kitterman, Investigator
Theresa Gahagan, Investigator
Bethany Reeves, Compliance Assistant (out at 9:30)
Kimberly Fast, Licensing Program Manager
Kristen Adamson, Licensing Specialist (9:11)
Marika Garvey, Licensing Specialist

1. Call to Order

Chair Bridgham called the meeting to order at 8:30 a.m. and announced the meeting was being recorded.

2. Consideration of Settlement Proposals

A. Kevin Sundberg

The Board was provided a proposed settlement agreement for Mr. Sundberg for violation of OAR 801-030-0020(1), Professional misconduct for failure to respond to Client's multiple emails, telephone calls and visits to his office, and OAR 801-030-0015(2)(b), Requested Records, for failure to return Client's manual within a reasonable time after such request by Client.

BOARD ACTION: Moved by Mr. Graham and carried to accept the proposed Settlement Agreement.

VOTE: 7 ayes

B. Mark Neuman

The Board was provided a copy of an Interim Stipulation signed by Mr. Neuman which is now merged with a Final Order, both of which are part of the record. Ms. Bischoff explained that a criminal trial was held and Mr. Neuman was found guilty. He will be reporting to prison within the next 4 – 6 weeks. There are two additional individuals involved in this matter whose disciplinary actions are still pending.

This case began with assessment of \$100,000 in civil penalties that was later reduced to \$25,000. Mr. Neuman has cooperated with the Board throughout the process. The Board discussed staying the \$25,000 provided Mr. Neuman complies with the Final Order and never practices or holds out as a CPA in any jurisdiction.

BOARD ACTION: Moved by Mr. Wright and carried to accept the Final Order presented and stay the \$25,000 civil penalty as stated above.

VOTE: 7 ayes.

C. Kurt Hagerman

The Board was presented with an outline proposal from Mr. Hagerman's counsel, David Briggs. The proposal agrees to a finding of revocation, but did not address any civil penalties. Mr. Pittioni requested guidance from the Board on how they would like to proceed with this matter.

Mr. Brown stated that he did not want to allow Hagerman to work another tax season and therefore, revocation is the most important. Brown urged the Board to refer the charitable activity issues to the appropriate department for review.

The Board found 90 violations against Hagerman. Hagerman has submitted a letter of resignation, but has not yet sent in his wall certificate. The Board discussed the amount of civil penalties to assess Hagerman and agreed that the penalties would be significant enough to encourage Hagerman to comply with the terms of the Final Order. Mr. Pittioni will continue to work with Hagerman's counsel to draft a proposed settlement agreement for Board review.

3. Executive Directors Report

Mr. Pittioni reported that the link to NASBA's ALD and CPAVerify are operational as of mid-December and continue to undergo testing and minor tweaks. The full automation is expected to be operational by the end of next week and public announcements made between January 15 and February 1, 2014. The Oregon licensee look-up has been completely redesigned and has been live since late December.

Staff will move towards drafting single source contracts for project management, FileMaker development and web interface work for a focused online renewal development project, which will further improvement to our licensee look-up and web-enabled features.

Board staff has been working with the Department of Revenue to establish a liaison structure and better communication for the cases referred to them from compliance and for cases where DOR has taken action that the Board should be aware of. .

Recruitment for a new Board member to replace Ms. Roberta Newhouse is still underway and outreach to two potential applicants has been initiated.

Mr. Pittioni updated the Board regarding civil penalties assessed in 2011 in two Board cases. The penalties were paid, however, due to the process deficiencies found in these cases, the money was refunded in December 2013. Mr. Pittioni presented a follow-up letter that had been sent in January after review by Board leadership.

**4. Report of Laws and Rules Task Force (LRTF)
Consideration of LRTF Recommendations for 2015 Legislative Session**

A. Board Authority

Mr. John Lauseng discussed the project mapping document to outline the strategy and priorities of the LRTF. There is an over-riding recommendation from the LRTF to create a new statute that will provide authority to the Board and amend other statutes to remove specificity when appropriate and reduce detail language. The LRTF and the Board discussed the issue of the fees in statute and whether or not the Board should attempt to have them removed. Although the Board would prefer to remove fees from statute, and will proceed with that concept for now while discussing this further with stakeholders, the Board authority piece is far more important.

B. Definition of Attest

The Board has previously discussed amendment of the definition of attest to coincide with the Uniform Accountancy Act (UAA) definition. The amendment provides a broader definition of attest, which has historically been limited to audits and reviews of financial statements. The attest service definition is significant in the protection of the public since third parties rely on the licensee's report concerning financial statements and as a result, they are the only professional accounting services that are reserved to licensed CPAs.

The proposed change also reflects the change in the referenced standards from SAS 70 to SSAE16. Board members do not have concern moving forward with this legislative change.

3. Other Definitions

There is nothing new to report on the other definitions to be modified in statute. The Board will likely submit a separate legislative concept for the definition of attest.

4. Firm Registration – Updated Approach to ORS 673.160

There is much work to be done statutorily regarding firm registration in Oregon. The current language is difficult to follow, unclear and does not line up with the UAA or Oregon Administrative Rules. The LRTF will work to draft language that is more closely aligned with the UAA. The language presented to the Board is not complete and will be worked on further by staff and the LRTF.

5. Emergency Suspension / Cease and Desist Authority

Mr. Pittioni presented language to be considered by the Board that adds explicit emergency suspension authority and clearer cease and desist authority. The language was modeled after existing language used by the Board of Medical Examiners.

6. Replacement of ORS 673.445

The AICPA submitted an exposure drafted in April 2013. Mr. Alan Steiger, member of the LRTF has identified OARs and ORSs requiring updated reference language to the codification. The LRTF recommends pulling the accounting standards, which are really attest standards, out of statute and deal with the language in the administrative rules. Mr. Brown asked if the changes proposed will help enforce standards or compliance with the reporting framework. Mr. Wright assured Mr. Brown that the performance standards for attestation and compilation and the reporting framework for financial statements will be covered.

Changes necessary to incorporate the ethics codification will be limited to the administrative rules and will be discussed by the task force in the spring.

7. Licensing Related Recommendations

A. Statutory Proposals for Amendment to 673.040 through 673.100

The LRTF has discussed the evolution of initial licensing and about fixing what is broken. Ultimately, it was the consensus of the group to maintain the 150 hour requirement and focus more on the competencies, tailoring competencies to what a new licensee should begin with. One proposal is to put the onus on the applicant, by having them complete the write-up demonstrating how the competencies were met, and by providing details

and examples of their work. The Board agrees with asking applicants to complete the write-up demonstrating their competencies with a supervisor licensee signing off.

Mr. Graham explained that many people are uncomfortable changing the required one-year requirement for achieving the competencies. While most employers do not simply sign-off after one year, some may. Others believe that an applicant should not be granted a license until they are prepared to perform an audit, which would most certainly take more than one year of experience to achieve.

Other concerns that need to be addressed are those applicants who do not meet the requirements in Oregon, applying in a State that has “lower” or “easier” entrance requirements and then applying for reciprocity.

The Board addressed what type of experience is permissible for entry into the profession. Applicants for instance, that gain the experience by doing consulting work should not be considered eligible for a license. Although consultation may be part of a CPAs job duties, it is not broad enough to cover all the other aspects of being a CPA and there are no standards to adhere to. The Board also concurred that experience in financial planning is not sufficient to earn a CPA license.

The experience forms are being revised to fit the competencies with each licensing path: attestation, other professional standards (tax) and industry/government experience. Mr. Graham will share these edits with practitioners for input.

The Board discussed educational requirements for the CPA exam, specifically the 150-hour requirement vs. 120-hour requirement. Some states allow candidates to sit for the exam with only 120 hours, however, they must achieve 150 hours in order to obtain a license. Concern was raised that candidates may take the additional hours in courses that do not enhance their accounting skills. It was also mentioned that the colleges and universities may push back on this change. If the Board decides to move forward and change this requirement, it would require a legislative concept. The Board will discuss this concept further at the February meeting.

5. Strategy Discussion Regarding 2015 Potential Legislative Concepts

Mr. Pittioni suggested that the Board move forward with a standalone legislative concept regarding the Board authority piece. Additional legislative concepts could include:

1 - legislative concept for the definitions outside the attest definition piece, 2 - a separate concept for some of the licensing changes with exception of the 120 hour educational changes, 3 – emergency suspension language and 4 – firm registration changes.

Mr. Pittioni explained to Board members that the staff will be reviewing the administrative rules along with statutes and the UAA to determine where they contradict and present that additional information to the LRTF.

With regards to the fees that are currently in statute, the LRTF spent a great deal of time discussing the best approach. While it is preferred that the fees are removed from statute, it may be beneficial to leave them in for this session in order to achieve some of the other higher priority outcomes.

6. 2014 February Session Legislation

A. Update on LC 114, Private Investigator Licensure Exemption

The Board members were given the language from the legislative counsel office that will be used in the bill sponsored by Senator Burdick and supported by the OSCP and the Department of Public Safety, Standards and Training (DPSST). The language is very close to what was negotiated between OSCP, BOA and DPSST. The draft bill has an emergency clause attached.

7. Possible Consideration of Rules Proposed by Secretary of State Audits Division

This was discussed at the December 2013 meeting. We asked the SOS Audits Division for an extension of time to comment on the proposed rule changes. The extension was granted and the deadline is January 21, 2014. The chair of the CPE committee submitted comments on the proposed rule changes and closely reflected what Board Chair Jessie Bridgham had found. There are many aspects of these proposed rule changes that the Board has concerns about. Ms. Bischoff will provide Mr. Pittioni with her comments to include with the others. Mr. Pittioni will combine the comments and send to the Secretary of States Audits Division.

8. Adjournment

The Board determined that an additional day should be added to the August meeting to discuss outcomes from the LRTF regarding administrative rule changes. Board members elected for the 11th and 12th, with an extended agenda for the 11th to get through most of the work.

The meeting adjourned at 1:34 p.m.