

**OREGON BOARD OF ACCOUNTANCY
PUBLIC BOARD MEETING MINUTES
Monday, February 4, 2013**

Board of Accountancy 2nd Floor Conference Room, 3218 Pringle Rd SE, Salem, OR 97302

BOARD MEMBERS:

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

BOARD STAFF:

Martin Pittioni, Executive Director
Kimberly Fast, Executive Assistant
Noela Kitterman, Investigator
Heather Shepherd, Cte. Coordinator
Susan Bischoff, AAG (*arrived at 12:20*)

GUESTS:

Sherri McPherson, OSCPA
Stuart Morris, OAIA
Ben Garvey, DAS IT (8:30 – 10:30)
Matt Navarre, MSN Media (8:30 – 10:30)

Working Lunch Provided

1. CALL TO ORDER/ANNOUNCE RECORDING

Mr. Brown called the meeting to order at 8:31 a.m. and announced the meeting was being recorded.

Mr. Pittioni announced that the lease agreement for space at Morrow Crane has been finalized and is ready for signing. The master lease was changed from previous years by separating the agencies into separate leases which takes the financial risk of other state agencies on the same lease vacating space out of the equation. Previously, if a tenant on the master lease were to move, the other agencies would be responsible for covering the cost of the vacant space.

With the negotiation of this lease, Morrow has agreed to several tenant improvements, most of which will impact the Board of Accountancy. Most importantly a glass wall will be installed to secure the office space for the Board. Board members encouraged Mr. Pittioni to negotiate that the installment of the glass wall be the first priority.

2. Update on status of database

Mr. Ben Garvey, Business Systems Technology Administrator of the Department of Administrative Services, and Matt Navarre of MSN Media were at the Board meeting to discuss the status of the current FileMaker database.

Mr. Garvey has worked with DAS Technical Service Center for over 10 years. His shop supports many state agencies of all sizes. Mr. Garvey reported that the Board's FileMaker database was converted

from version 7.5 to version 12, and added that the conversion was highly successful and seamless. With this transition, the database was moved from a server that was located at the Board office to a secure server, both physically and electronically, at the State Data Center.

Mr. Navarre explained that the upgrade to FileMaker 12 allows for the board to interact and develop web enabled processes. The Board staff will work with Mr. Navarre and Mr. Garvey on developing the criteria necessary to allow the public access to disciplinary actions via the licensee search. Staff will audit the current information in the database to ensure it is complete and more importantly, accurate. With the ability to view disciplinary data on the Board's website within reach, staff has also initiated contact with the necessary people at NASBA to develop an upload data from the FileMaker database to the NASBA-operated ALD and CPAVerify services. NASBA has indicated it will reimburse the Board for the IT project costs of connecting the Board to NASBA's systems.

Board members discussed the extent of the information they would like available for the public in disciplinary matters; a copy of the final order or simply an indication that the licensee had previous disciplinary action. The initial roll-out will simply let the public know if a licensee has had disciplinary action, down the road, a link to the final order may be considered.

Board staff will work with DAS IT to develop an RFP for a renewal only online licensing solution. It is likely that the system will first be tested on registered firms.

Board directed staff to move forward on the development of the RFP, but that no action was to be taken until the March conference call.

3. LEGISLATIVE SESSION

A. Budget Hearing

Mr. Pittioni stated that the Board's budget hearing is tentatively scheduled for February 25, 2013. In preparation of that hearing, staff will develop the Governor's Balanced Budget binders as well as presentation material and meetings with members of the sub-committee. Both Mr. Graham and Mr. Brown are available to attend the hearing.

Mr. Pittioni has met regularly with Ms. Savarro, the Boards' budget analyst as well as Kim To, from the Legislative Fiscal office. Both Ms. Savarro and Ms. To agreed to allow the Board to introduce a policy option package after the deadline. The policy package will request that the legislature approve a limited duration Financial Investigator position. This is in preparation of Ms. Kitterman's upcoming retirement as well as the need for additional support on the enforcement side.

B. Senate Bill 301

Mr. Pittioni explained that the purpose of SB 301 is to place the Board of Accountancy and the Board of Tax Practitioners in the Department of Consumer and Business Services. It also removes the Board of

Accountancy's and the Board of Tax Practitioners from application of the statute that requires the Board appoint an administrator.

Mr. Brown asked how, if passed, this would affect the Board's budget. Mr. Pittioni explained that it would have little effect, as the money would not be taken away, and there may be cost savings due to the elimination of the executive director position. The OSCP is opposed to the bill and is working with their legislative committee on this matter. As with any bill, the Board is not permitted to take a policy position on this bill unless approved by the Governor's office. Mr. Pittioni has briefed the Director of Legislative and Governmental Affairs at NASBA, John Johnson.

C. HB 2161

House Bill 2161 requires, under specified circumstances, Boards and other entities that examine applicants for licensure, registration, certification or other authorization to practice profession to spouse or domestic partner of active member of Armed Forces who is subject of military transfer to Oregon. This is in response to military spouses trying to gain employment in various states when their spouse is reassigned.

Mr. Pittioni explained that a version of this legislation is happening in most states. Ms. Newhouse stated that the topic was discussed at the Annual NASBA meeting. The Board currently has a rule regarding exceptions for military licensees as well as applicants.

Ms. McPherson indicated that the society is tracking this bill as well, although not yet taken a position on it.

3. ADMINISTRATIVE RULES

A. Task Force for Administrative Rule and Statute Review

Ms. Bridgham, Ms. Ferguson and Mr. Wright have agreed to serve on the task force to review both statutes and administrative rules for consistency, revisions, content and comparison to the code of conduct as well as the UAA (Uniform Accountancy Act). The initial meeting will be held after the March 18th Board meeting. Current versions of both the administrative rules and statues have been sent to the task force members. The Board would like to work with an outside individual, possibility a university student, to work on the consistency piece.

Some administrative rules are poorly written making it difficult for interpretation, both on the staff level as well as the public. The Board has expressed interest in writing rules that offer some flexibility as to interpretation and will work with legal counsel on achieving a balance.

4. CPE Proof of Completion Policy

Mr. Pittioni proposed to the Board that the practice of asking licensees to submit their proof of completion certificates together with the renewal form be discontinued. The Board office reported significant time delays in processing renewal applications due to the extra review required. It was also noted that the majority of licensees were not pleased with the change in procedure.

Prior to the last renewal cycle, licensees were contacted mid-September if they were chosen in the random audit selection. Those licensees chosen for audit, (10% of those who renewed), were required to submit a proof of completion certificate for each course reported on their renewal application.

Also for consideration was a proposal to send a notice of audit, together with a renewal application to those licensees selected randomly. Allowing a licensee to prepare and submit the audit material prior to submission of the renewal application allows any deficiencies to be fixed on the front end rather than the licensee being out of compliance while holding a renewed license.

The Board members viewed this approach as more of a document review rather than an audit review and were concerned that current staff levels may not be able to sustain a proactive approach at this time.

The Board members were split as to the timing of audit. Some were in favor of doing all portions of the audit after the close of the renewal period, while others favored the pro-active approach. There were also members that thought both approaches would work best (some prior to the deadline and some after the close of the renewal).

Mr. Pittioni expressed hesitation about a dual process and advised that his primary objective was to eliminate the need for licensees to send in proofs of completion, except when part of the audit process. The Board agreed to suspend the practice of 100% audit implemented in in the 2012 renewal cycle and to resume the previous process of 10% audit of renewals submitted. Board members further agreed that discussions on potential future changes to the renewal and audit process would continue, but that for now it was paramount to get a clear process message out to licensees.

5. REINSTATEMENT OF INACTIVE LICENSEES

The Board office has received reinstatement applications from licenses who are applying for reinstatement to active status. The application asks the licensee to indicate his or her business activities since the status change and whether or not they have held out as a CPA/PA to Oregon clients. The rule change affecting inactive licensees which had an effective date of January 1, 2012, significantly changed the scope of what inactive licensees were permitted to do. Those applying for reinstatement are self-reporting that they have prepared tax returns for their employer's signature during the time they have been inactive. This practice, prior to January 1, 2012 was permitted. Inactive licensees are also no longer allowed to be employed in a public accounting firm.

When the rule became effective, a grace period for inactive licensees was given to allow them until July 1, 2012 to reinstate to active status if they planned on continuing to work in a public accounting firm or any other practice that may be in direct conflict with the definition of inactive status.

The staff is requesting the grace period be extended to July 1, 2013 to allow odd-numbered licensees the same benefit of time to reactivate their license.

The Board agrees the grace period should be extended to July 1, 2013 to give all licensees an equal opportunity to stay in compliance with the Board rules.

8. REVIEW OF PERFORMANCE MEASURES

Mr. Pittioni reported to the Board members that the Board of Accountancy has significantly more performance measures than most regulatory boards. At this point in time, changes or modifications cannot be made because they have already been submitted to the Legislature, however, changes can be submitted for the 2015-17 biennia.

The Board expressed specific concern on performance measures 3 and 8. Performance measure #3 measures the percent of complaints that result in disciplinary action, which could be interpreted as a quota.

Performance measure #8 measures the percent of contested cases resolved by a consent agreement prior to a formal hearing. This measure is also problematic in that if a case cannot be reasonably settled due to the facts and the position of the Board, it is appropriate to have a formal hearing. The Board should not feel pressured to settle a case so that the performance measure can be accelerated.

Mr. Pittioni will informally discuss these two measures with the Ways and Means Committee during the budget hearing to see if the committee would be willing to dispense with these measures for 2013-15. If not, the Board would re-raise the issue during the budget cycle for 2015-17.

7. DELEGATION OF AUTHORITY

The Board was presented with the current delegation of authority list. This is not meant to be a request to approve, but more of a document to start discussion. Legal counsel will review and have a recommendation to the Board at their May meeting.

8. PLANNING/COMPLIANCE PLANNING

Mr. Pittioni prepared a planning document to be referred to, and updated throughout the year. The recruitment for the vacant Office Specialist 2 (OS2) position closed and interviews will be conducted mid-February. The Administrative Specialist 2 (AS2) vacancy has also been submitted and interviews

for that position will be held the end of February. The AS2 position description was changed substantially to provide for a clear administrative support function for the compliance section.

The Board is working on updates to the website, including the posting of minutes and the meeting calendar for 2013, application form revision, updated Board and staff updates. This will be an ongoing project. The Board staff is currently working on a summary report of past disciplinary action that can be posted on the website. This will be in addition to any disciplinary action that may be possible when doing a licensee look-up. The Board concluded that the disciplinary document should be posted on the website after all final edits are complete.

Mr. Pittioni would like to develop the compliance side of the Board office. The Board needs to have the ability to investigate, adjudicate complaints and also have a solid tracking and monitoring process in place. Mr. Pittioni also reminded Board members that the Board has statutory authority to perform background checks, which should be considered in the foreseeable future.

The request for a limited duration investigator will help with the investigations as well as the development of a fully functional compliance department.

9. ADJOURN

The public portion of the meeting adjourned at 3:42 p.m.