Oregon Board of Accountancy
Laws and Rules Task Force
Minutes

Friday, September 20, 2013 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
Roger Graham, Public Board Member
Steve McConnell, CPA
Alan Steiger, CPA
Stuart Morris, PA, OAIA
Sharrie McPherson, OSCPA

Martin Pittioni, Executive Director
Kimberly Fast, Licensing Program Coord.
Susan Bischoff, AAG

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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. Introductions and Opening Remarks

Each member introduced themselves and gave a brief description of their background.

3. Review of Committee Overall Charge and Goals

Mr. Lauseng would like the group to take an inventory of outstanding items and begin to categorize and prioritize to determine where and how we go from here, lay down timelines etc. Not all items will be accomplished by this task force, the task will identify the priorities.

4. Process and timeline review for developing committee recommendations for Board

There are processes and timelines for both rules and statutes. For the statutes, there is a consideration process that requires an initial submission of proposal(s) by the Board to executive branch oversight by April 1, 2014. Therefore the February Board meeting will be the timeline goal where we want to have an idea of what our legislative priorities are for the 2015 session. We have more time to work through other piece that may not be a priority for the 2015 legislative session.

These deadlines apply for agency legislative proposals only, they do not apply to the OSCPA.

On the rules side, there are no timeframes. There are basically two stages, the task force is at the informal process right now and can take as long as it is necessary. This task force should recommend to the Board what rules should be formally revised. Recommendations produced by this task force will be presented to a rules advisory committee prior to beginning the formal rule process. The advisory committee ideally will consist of a broad cross-section of the practice community. Once that process

has concluded, the Board will then decide what to introduce into the formal rule making process. The formal process generally takes about 3 months and has strict procedural rules to be followed and opportunities for oral comment at a hearing, and written comment.

5. Identification and Prioritization of Committee Work

a. Inconsistencies between statutes and rules, including rules which are more restrictive than statutes

The Board created a small task force consisting of three Board members; Ann Ferguson, Jessie Bridgham and Scott Wright. Each member reviewed different divisions of the OAR's and statutes and drafted comments and noted inconsistencies throughout. These documents were given to members of this task force to review and build on the comments and changes identified. Some are housekeeping issues that should be straight forward while others are more of a policy issue that will need to be discussed by this group and the Board. Cross reference checks were reviewed, OAR inconsistencies with other rules and also with statutes. There are areas that the Board has struggled with in the past where rules do not allow flexibility or waiver authority; these instances are also identified and need to be reviewed.

The task force did not tackle concepts such as if a rule was consistent with the UAA or rules that are coming down the pike (definition of attest). There are some changes that were identified that are considered housekeeping and will be a simple change and others that will take discussion and policy changes. The task force itself did not have as its function to recommend specific policy changes.

Mr. Pittioni will draft rule changes identified by the task force, and from any other sources, with help from Ms. Bischoff. Feedback from the task force will be crucial for determining what items are considered housekeeping and what changes are more substantial policy questions. Terms of art used by the profession should be defined in your rules as well. Mr. Pittioni will engage in preliminary drafting of any legislative proposals as well, as identified by this task force.

b. AICPA change to the definition of "Attest" in the UAA

Mr. McConnell addressed the exposure draft that has been submitted for the change of definition for attest. The comment period will end mid-October. It is anticipated that the UAA will meet and review all comments and draft a new UAA, 7th Edition in early 2014. The rush is to allow Boards enough time to prepare changes for the legislative sessions beginning in 2014.

The UAA committee is reviewing other items such as retired status is being added, which this Board has already implemented and also rules that would cover confidentiality in relation to whistleblower issues.

Definition of the term "report" has not yet been resolved as far as the definition of attest. This task force should watch what happens with the UAA and then decide where to go from there. Mr. McConnell believes the definition of attest and firm mobility will have resolution by February 2014.

Mr. Pittioni asked about the different exposure drafts that are now active and where they fit in and their associated timelines.

c. Reference to FRF for SMEs

At the NASBA regional meetings in June 2013, the Financial Reporting Framework for Small to Medium Entities (FRF for SMEs) was discussed, and the lack of agreement between NASBA and AICPA in this matter. The AICPA and NASBA are now in agreement to work together on changes to the FRF. There are many regulatory concerns. AICPA was tired of waiting for FASB to come up with language and so began to draft language themselves. Rule recommendations will be drafted and sent to the Boards, but this will take some time. The IFRS is now considered an acceptable GAAP.

The SEC says that they will accept the IFRS and NASBA is trying to stay out of being a standard setter. Not many practitioners are jumping on board quite yet. There are instances in the OARs/ORSs that exclude international standards and we may need to expand those rules. Mr. Dan Dustin from NASBA will be joining the Board at its meeting in October and we can get some guidance at that time. It doesn't appear that it will affect our work at this point.

d. References to the ethics codification, including reference to the conceptual framework

Exposure draft was released in April and the comment period ended on August 15. Comments are now being reviewed by the Professional Ethics Executive Committee (PEEC) and the appropriate adjustments will be made before being finalized in December 2014.

Mr. Steiger gave some background on this topic stating that the AICPA is a member of the International Financial Reporting Services (IFRS) and part of the membership requirement is that the AICPA Code of Professional Conduct cannot be less restrictive than the Ethics Code of the IRFS. When the two are compared there are differences and inconsistencies. In the cases of major issues between the two, those have gone through an exposure draft process separately from the codification. The codification process is structured similar to the way the IFRS is structured: there is one section for members in public practice, one section for members in business and industry, the AICPA added a third for AICPA members that don't fit into either one of the two sections, which would pick up retired licensees. This appears to be the first time that the AICPA Code of Professional Conduct is being restructured so that it makes more sense and items are in the same place. This will be in electronic format and hyperlink to other sections within the text.

The most significant change in the professional conduct framework is the application of the conceptual principles framework in situations not specifically addressed by rule. Previously, conduct not prohibited by or addressed in the code of conduct was considered permissible because it was not specifically prohibited. Under the new approach, a situation that isn't addressed requires application of the ethics principles.

e. Changes identified by Staff and DOJ

Mr. Pittioni distributed a list of Board staff recommendations and also the most current UAA rules and laws. Unlike the work that came from the task force, staff did not put a strict framework on its

discussion. With respect to the statutes, there should be more of a conceptual approach considered in addition to specific language changes. The UAA is a great guideline to use to begin this process. Another principal to be considered are questions on whether language in the statutes and remain or whether it makes more sense to have the rule making authority in statute and place the language in the administrative rules which allow for more flexibility. When looking at the UAA and comparing to our current statutes it may be helpful to see the differences on how specific our statutes read and the level of specificity the UAA has.

f. Changes in licensing requirements

There has been recent discussion at the Board level regarding the inconsistent manner in which our applicants are being licensed. A licensee can get experience under the attest/audit route, other professional standards or government/industry. The level of documentation and work performed vary greatly between the three routes. Qualifications committee members receive examples of how applicants achieved the seven core competencies, but the level of detail is inconsistent and it becomes difficult to determine how much documentation is acceptable. Applicants applying under "Other Professional Standards" are sometime hard to narrow down.

The task force and Board need to determine what they believe the intention was when the rules were written, for example, was it intended that the Board would license someone that does not have specific experience in specific accounting arenas of practice, or individuals who have never, nor intend to ever step foot in the State of Oregon. Mr. Graham urged the task force to start thinking about the experience requirements first in a philosophical angle and once the group can agree on what that is, the changes to rules will follow.

We will need to figure out what piece of this is relevant to our work to be helpful on moving that discussion forward. It appears that you have consensus that there is a much more broad discussion on this topic and that we tie this back to ORS 673.015 which speaks to the public interest.

Task force members were asked to think about this topic and will be discussed at the upcoming meeting.

g. Delegation of authority from Board to staff, such as in "holding out" cases

This topic will be directed to the Board. Board staff will work with the Department of Justice and the Board on these topics and bring back to the task force for implementation.

h. Authority to respond to non-compliance with consent letters or letters of censure

This topic will be directed to the Board.

6. Development of next steps and timelines

The following is a synopsis on the work that needs to be done moving forward:
Items:

A. Mr. Wright will review the task force recommendations and outline which ones he believes maybe housekeeping changes, versus those that require policy-level discussion and decisions. Similarly, Mr. Pittioni will review the staff recommendations and identify which may be more housekeeping and which fall into the category of policy. A master draft of these recommendations will be prepared by Mr. Pittioni.

B. This item will be deferred until the end of the year when the final documents on the UAA changes are available. Make sure all task force members have a copy of that Exposure Draft.

C. The Board members will report what is learned from Mr. Dan Dustin's visit to Oregon in late October and any developments that occur from that meeting.

D. Mr. Steiger will review the statutes and rules covering the changes to ethics and independence rules and report back to the task force.

E. The task force will review as a group at the next meeting and combine this review with Mr. Wrights' identified policy/housekeeping items.

F. This task force will review and determine our philosophical resolution on that.

Ms. Bischoff asked that when making amendments, that the problem is presented, and the solution and the reason why that decision was made. This is a great resource for historical purposes.

7. Scheduling of next / future meetings

Primary discussion at the next meeting will be the housekeeping/policy issues, licensing discussion and Mr. Steiger updating the task force on ethics.

The task force will meet again on October 16, 2013 at 10:30 a.m. at the Board office.