



Oregon Board of Accountancy

3218 Pringle Rd. SE #110 Salem, OR 97302
503-378-2270 / www.oregon.gov/boa

BOARD MEETING PUBLIC SESSION MINUTES

August 3, 2015

Board of Accountancy Office, 2nd Floor Conference Room
Salem, Oregon 97302

Present:

Larry Brown, CPA, Chair
Scott Wright, CPA, Vice-Chair
John Lauseng, CPA, Treasurer
Candace Fronk, CPA
Roger Graham, Public Member
Lynn Kingston, CPA, (until 4 p.m. on February 3)
Al Crackenber, PA

Staff:

Martin Pittioni, Executive Director
Susan Bischoff, AAG
Noela Kitterman, CPA, Investigator
Theresa Gahagan, CPA, Investigator
Josh Huff, Investigator
Kimberly Fast, Licensing Manager
Joel Parks, Licensing Specialist

Guests:

Sherri McPherson, OSCPA (10:15 a.m.)
Stuart Morris, OAIA
Jay Richardson, OSCPA (10:36 a.m.)
Ron Johanesen, OAIA
Katrina McCracken, DOJ

1. CALL TO ORDER/ANNOUNCE RECORDING OF MEETING/REVIEW AGENDA

The Board convened in Public Session at 10:10 a.m. Mr. Brown announced the meeting was being recorded. There were no corrections or additions to the agenda.

2. APPROVAL OF BOARD MINUTES

A. June 29, 2015 Public Board Minutes

Ms. Fronk noted that on the bottom of page 6 it should state "Ms. Fronk commented that there was some rationale to the tax position, because the deductions matched a taxable employer reimbursement."

BOARD ACTION: Moved by Mr. Wright and carried to approve the minutes with the correction noted above.

VOTE: 7 ayes.

B. July 8, 2015 Public Board Minutes

Ms. Fronk noted that on the top of page 2 it references CAFRA, which should be corrected to read CAFR.

Mr. Wright asked if the suggested changes were submitted to the Secretary of States rule notice. Mr. Pittioni noted and will ensure they are.

BOARD ACTION: Moved by Mr. Wright to approve minutes as amended.

VOTE: 7 ayes.

4. COMPLAINTS COMMITTEE / Motions on Cases

A. MOTIONS ON CASES CONSIDERED IN EXECUTIVE SESSION

1. Arthur Pratt - Case #14-039

BOARD ACTION: Moved by Mr. Wright to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0005(2), Integrity and Objectivity for all or part of the following:

- a. accepting responsibility to prepare but failing to prepare and file the taxpayers federal personal income tax returns for years 2003, 2004, 2005, 2006, 2007, 2008, 2011, 2012 and 2013;
- b. accepting responsibility to prepare and file, but failing to prepare and file the taxpayers Oregon personal income tax returns for years 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013;
- c. accepting responsibility to prepare and file, but failing to prepare and file Trust A and Trust B tax returns for years 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013;
- d. failure to withdraw from the engagements detailed in items a – c above when he could not timely complete the work.
- e. Having the taxpayer sign the 2002 Form 1040 tax return before it was completed.
- f. Preparing and having the taxpayer sign, but failing to file an amended tax return for the years 2000 and 2001.

Mr. Wright summarized that the practitioner was engaged in the early 2000's by the now deceased tax client. There was an information gathering process as explained by the respondent. There were personal returns as well as trust returns. There were returns prepared as demanded by the IRS. One return was prepared and as evidence shows that the taxpayer

signed before they were completed. There were amended returns prepared for 2000 and 2001 and although they were prepared and signed, they were never filed by the practitioner.

VOTE: 5 ayes, 2 nays (Fronk, Crackenberg)

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(1), Professional Misconduct (2012 Edition) for all or part of the following:

- a. accepting responsibility to prepare but failing to prepare and file the taxpayers federal personal income tax returns for years 2003, 2004, 2005, 2006, 2007, 2008, 2011, 2012 and 2013;
- b. accepting responsibility to prepare and file, but failing to prepare and file the taxpayers Oregon personal income tax returns for years 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013;
- c. accepting responsibility to prepare and file, but failing to prepare and file Trust A and Trust B tax returns for years 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013;
- d. failing to withdraw from the engagements detailed in items (a) through (c) above when he could not timely complete the work;
- e. having the taxpayer sign her 2002 Form 1040 tax return before it was completed.
- f. preparing and having the client sign, but failing to file amended tax returns for the years 2000 and 2001.

This is a similar fact patter to the first violation.

Mr. Graham asked Mr. Crackenberg and Ms. Fronk why they voted nay on the first vote. Ms. Fronk stated that the integrity and objectivity was not the heart of the matter in the first instance. Mr. Crackenberg also did not believe integrity was the issue. Mr. Graham stated he may change his vote on the violations of Integrity or Objectivity.

Mr. Brown stated that this motion and the previous motion is some or all of the violations listed.

VOTE: 6 ayes, 1 nay (Fronk)

Mr. Graham decided to leave his vote on the first instance since it will not change the outcome. Mr. Brown asked why Ms. Fronk voted nay on professional misconduct, she believes it does not fit the violation.

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b), Due Professional Care (2012 edition) for all or part of the following:

- a. accepting responsibility to prepare but failing to prepare and file the taxpayers federal personal tax returns for years 2003, 2004, 2005, 2006, 2007, 2008, 2011, 2012 and 2013;
- b. accepting responsibility to prepare and file, but failing to prepare and file the taxpayers Oregon personal income tax returns for years 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013;
- c. accepting responsibility to prepare and file, but failing to prepare and file Trust A and Trust B tax returns for years 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013;
- d. failing to withdraw from the engagements detailed in items a through c above when he could not timely complete the work;
- e. having the taxpayer sign the 2002 Form 1040 tax return before it was completed by the licensee.
- f. preparing and having the client sign, but failing to file amended tax returns for the years 2000 and 2001.

Mr. Graham thought this rule better covers the misconduct, Ms. Fronk agreed.

VOTE: 7 ayes.

BOARD ACTION: Moved by Mr. Wright moved that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0015(2)(b) (2012 edition), Requested Records.

This violation stems from the request that the successor trustee and personal representatives made a request for the deceased records, requested in mid-April and provided during the first part of May.

VOTE: 7 ayes.

BOARD ACTION: Moved by Mr. Wright and carried that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(8), Business transactions with clients (2008-2012 editions) for one or more of the following:

- a. borrowing money from Client A
- b. borrowing money from Client B
- c. borrowing money from Client C and lending money to Client C (multiple instances)

Mr. Wright noted that in part of the investigation, it was found that the licensee has, on numerous occasions, and with numerous clients loaned and borrowed money.

VOTE: 7 ayes.

Direction to Executive Director: Mr. Lauseng believes these actions are fairly egregious, shows a lack of judgement, however, he does not believe that revocation or suspension is appropriate. Mr. Wright thinks there is a level of understanding that the licensee showed today. Ms. Fronk agrees. Mr. Graham is concerned that the licensee repeatedly mentioned his Masters degree today leads him to believe that CPE is not going to help him much. Ms. Kingston agreed. Mr. Brown went from egregious to less egregious, advocate suspension but stayed as long as he complies with other terms. Wants the licensee to understand how serious these actions are, but thinks licensee should have the opportunity to continue practicing.

Mr. Wright asked, we have seen documentation that there is a claim of insolvency and if we are clocking dollars as a sanction, but collectability is part of that. Ms. Fronk wondered if a mentorship would be beneficial, especially since he is a sole practitioner. Mr. Brown still wants to know if the licensee understands what he did wrong, having a client sign a return before it is complete. Mr. Graham agrees with Mr. Lauseng, and thinks sanctions should be substantial, the licensee doesn't understand that he did anything wrong. Mr. Lauseng is not concerned on whether or not the licensee can pay any fines that are assessed. Ms. Bischoff believes that should always be the Board's position. Mr. Brown does not want to put the licensee in a position to automatically violate the terms of the Order because he cannot pay the fines. Ms. Bischoff suggested a payment plan, even if payments are minimal.

Is the Board considering the fact that he billed so much with not much product being produced? Is that part of your assessment? Ms. Kingston didn't think that we got involved with billing disputes. Ms. Bischoff said it isn't a billing dispute, but rather receiving proceeds on something that he didn't do. Ms. Kitterman has most of the documentation but cannot determine if the work we have in our possession is worth \$174,000 charged.

Mr. Pittioni addressed the ability to pay position stating that the Board needs to assess the penalties according to the level of violation and work with the licensee on how he can pay.

Mr. Crackenberg believes the licensees should be revoked. How many believe it should be suspended, Mr. Crackenberg would go for that too. Most members think the license should be suspended, but stayed so long as he complies with the settlement agreement. The focus of the stay is not focused on the ability to pay. Mr. Brown asked members on civil penalties that should be assessed. Mr. Pittioni informed the Board that during any settlement negotiations, if there are payment issues, the Board would ask for proof of that and determine what is an appropriate outcome. There is no reason to add a payment to the settlement that cannot possibly be paid. Mr. Brown thinks that if a settlement is negotiated in which the licensee agrees to the other recommended terms, meaning civil penalties and CPE, then he is okay not adding the suspension onto the settlement agreement.

Mr. Pittioni asked the Board how far can we get with CPE, when the licensee is only providing services to 14 clients and the concern is due professional care. Should we consider having him under supervision of another CPA. Mr. Lauseng noted that with the staff constraints, do we have time to monitor. Mr. Pittioni is not concerned with the mentoring piece affecting staff time. Ms. Bischoff suggested that the Board give Mr. Pittioni the parameters and he can keep you updated.

Mr. Graham suggested that the penalties should be on the high end. Mr. Lauseng believes starting at \$20,000 is appropriate. Ms. Kingston is still concerned on what will make him realize that this is serious so agrees with the moderate civil penalties. At least 24-40 hours of CPE should be taken in trust returns.

2. Case #12-026

BOARD ACTION: Mr. Wright moved and it was carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(a), Professional Competence.

Mr. Wright stated that this complaint is in regards to a client who engaged the CPA to help her prepare her returns both business and personal. The complainant indicated that there was a promise to help with bookkeeping using QuickBooks, and that the returns were not filed timely. The licensee indicated that the books were not in good shape and took a lot of time to get the returns in order.

VOTE: 7 ayes.

BOARD ACTION: Moved by Mr. Wright and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b), Due Professional Care.

Same set of facts.

VOTE: 7 ayes.

B. Settlement Proposals

1. Peggy Cole – Case #13-052

This case was regarding a licensee based out of Nevada, who signed her client's name to a return for her client rather than having the client sign the return. The agreement assesses the licensee \$10,000 in civil penalties and \$1,000 in Board costs. Subject to Ms. Cole's full and complete compliance with the terms of the Order, all of the Board's costs and \$6,000 of the civil penalty are stayed. Ms. Cole chose to retain her Oregon license and therefore she agreed to pay \$4,000 of civil penalties and has set up a payment plan.

The negotiations were long and hard, but in the end she thanked Mr. Pittioni and Ms. Gahagan for their help on solving this matter.

BOARD ACTION: Moved by Mr. Wright to accept the Settlement Agreement and Stipulated Final Order in case #13-052, Peggy Cole.

Mr. Wright said that this is as close to forgery as it gets and she managed to keep her license and pay \$4,000.

VOTE: 7 ayes.

2. Rosemarie Sibley Howell – Case #13-049

This case dealt with a tax strategy by increasing rent expenses. The agreement assesses the licensee \$7,500 in civil penalties, \$2,000 in Board costs and 40 hours of CPE in various areas. Subject to Ms. Howell's full and complete compliance with the terms of the Order, all of the Board's costs and \$5,000 of the civil penalty are stayed. The agreement allows Ms. Howell until June 30, 2016 to obtain the CPE, which is outside usual practice.

In addition, Ms. Sibley Howell has a 2-year mentoring program. She has sent in several names of licensees and her check for penalties. Staff will review her suggested mentors and be in touch with her.

BOARD ACTION: Moved by Mr. Wright to accept the Settlement Agreement and Stipulated Final Order as presented in case #13-049, Rosemarie Sibley Howell.

Mr. Wright this person is getting more sanctions for technical issues rather than more egregious issues in Mr. Wright's opinion.

VOTE: 7 ayes.

3. Robert Nelson / Nelson & Company PC – Case #14-002

This case stems from a firm name that was not in compliance with Board rules, in addition, the licensee added a licensee name to the firm renewal showing him as an employee to comply with the rule. The employee named was not in fact an employee.

The employee that he has now is trying to branch out on her own, which would cause the firm to then again be out of compliance. Mr. Nelson is in the process of changing his firm name by buying new signs etc.

BOARD ACTION: Moved by Mr. Wright and carried to accept the Settlement Agreement and Stipulated Final Order as presented.

Mr. Wright believes that this was very intentional giving the Board false information and he is not being penalized very much.

VOTE: 7 ayes

4. Julia Fitzgerald / Julia Fitzgerald CPA PC – Case #13-050

Ms. Fitzgerald failed to submit a renewal and therefore her firm terminated. She continued to practice and file tax returns. She was assessed \$2,000 civil penalty.

BOARD ACTION: Moved by Mr. Wright and carried to accept the Settlement Agreement and Stipulated Final Order as presented.

VOTE: 7 ayes.

4. PUBLIC COMMENT

There were no public comments

5. REPORT OF THE OSCPA

Mr. Richardson stated that the legislative session ended and they are working on the wrap up on those issues. An exposure draft was issued and the society is reviewing that as well as their curriculum for 2016-17. The OSCPA Board approved upgrades to their building which will help with attendance of their CPE courses.

The OSCPA magazine is currently at the printer and will contain an article regarding the fee increases approved this past legislative session. The OSCPA has met with firms to discuss the fee increase, and while not happy, they understand.

6. REPORT OF THE OAIA

Mr. Morris reported that they just closed out another successful year. They have given out several scholarships. Recently Oregon and Idaho had a joint meeting which was also successful.

7. REPORT OF THE CHAIR

Mr. Brown reported that he, Ms. Fronk, Ms. Kingston, Mr. Lauseng and Mr. Wright all attended the NASBA Western Regional meeting as well as Mr. Pittioni, Ms. McPherson and Mr. Richardson.

There were a few takeaways from the meeting, the DOL audit process and the fact that the DOL identified deficient audits and that the regulatory process is broken. They believe the state Boards were not as involved as they should have been but that will change with more communication and there will be better accountability.

Additionally, peer review was also discussed and we will discuss that later in the agenda. The UAA was discussed and it needs to be upgraded, particularly in regards to inactive and retired licensee statuses. Most states are also struggling with this issue.

NASBA funds research grants for academia, there were 3 people that received those grants and each made presentations at the meeting, 2 of which had Oregon ties.

8. REPORT OF VICE CHAIR

Mr. Wright had nothing to report.

9. REPORT OF TREASURER

If you look at the cash flow that was included in your packet. The biennium actuals to date include through May 2015. It appears that that there will be about a \$13,000 buffer to cover the month 13 expenses. The 2015-17 plan will be established by the end of September. It takes

state government a few months to catch up to all the changes that took place at the legislature budget process.

Mr. Wright mentioned that it appears we are about \$100,000 ahead of where we thought we would be. Mr. Pittioni addressed that by advising the Board that he does not project any civil penalty payments that may come in and therefore they reflect only the previous biennium level and not a projection for the current biennium. Current biennium actuals are coming in at about 100k more in civil penalties than the previous biennium. Pittioni added that with respect to state government charges, there is very little operational control over what happens expenditure wise, however we have more operational control on other services and supplies line items.

Mr. Brown asked how we are doing on collected old debts and do we have to pay the fees to those agencies that help with that. Mr. Pittioni explained that we don't pay any fees to the Department of Revenue for cases we do not send over, the ones we do turn over to them, that fee structure works on a contractual basis and we only pay if they are able to collect. Mr. Brown specifically asked how we are doing on collecting those old debts in general.

Ms. Gahagan is preparing that information for the next meeting. Mr. Pittioni believes there is about \$500,000 still outstanding. Ms. Gahagan noted that the money collected this year is much higher than in the past.

Is there a process where we track compliance with the settlement agreements, for instance, the past due items? Mr. Pittioni stated that there is a lot more comfort now than there used to be. There is an excel spreadsheet now that tracks that information. Mr. Brown asked if the new tracking system notify staff or is that something that has to be manually checked. Mr. Pittioni explained it is not quite that sophisticated but hope to get there.

Mr. Graham asked what the Board/Staff does if someone does not pay; what do we do? Mr. Brown wants there to be a daily reminder notification to the compliance team to keep up-to-date with pending deadlines.

10. REPORT OF THE EXECUTIVE DIRECTOR

Mr. Pittioni updated the Board that personnel has gone through a lot of changes. Mr. Huff is new to our staff investigator who has replaced Noela Kitterman, however, Ms. Kitterman continues to work for the Board on a part-time basis. Kristen Adamson, Licensing Specialist is relocating to Georgia and will be leaving the beginning of October. The recruitment for her position will close on August 12. Bethany Reeves received a promotion at the Board of Tax Examiners and her last day will be August 7. Recruiting for her position will not be quite as easy.

It is Mr. Pittioni's understanding there may be some reductions in State Government service charges, however this is very preliminary information. The Board's budget analyst provided a "heads-up" regarding the fee bill and fee increase roll-out on the administrative side. Because

the legislature is now on an annual cycle, the fee bill that is needed to ratify anything we do by rule can be taken care of possibly in February 2016.

Renewals are going well and typical of past years. Mr. Wright asked about the licensees' who choose to lapse their license and wondered if it would be helpful to have a section that licensees could elect to resign their license as well. That will be something we can consider. Mr. Brown asked about the previous Board discussion regarding the inactive and retired licensees renewing their license. At this point it is still working itself out and the renewals for those individuals that are straightforward have been taken care of, however, there are quite a few remaining that require additional information from the licensee to determine their eligibility for the status they are requesting.

Mr. Brown asked if it is anticipated that the current inactive and retired applicants that have already been approved but are found to not be consistent with Board direction from the past that will no longer qualify for the status they have previously been allowed. Mr. Pittioni said yes, there may be some that are affected by the Board's direction. Board staff are trying to determine how to handle that issue.

Mr. Pittioni received the information discussed earlier in the meeting regarding collection of past debt. So far the Board has collected a gross of \$77,917 through the Department of Revenue.

11. OLD BUSINESS

A. Inactive and Semi-Retired Licensees – Future Direction

Mr. Pittioni explained to the Board that the Laws and Rules committee did not provide a recommendation to the Board on inactive and retired licensees. It was apparent to the committee that this will not be a quick outcome and it will need significant discussion before a recommendation can be provided.

It is clear that there is a group, particularly among the retired licensees, who may no longer be eligible for that status. The Board has already given the staff authority for some leniency on a transition if required. Mr. Pittioni and Ms. Fast will review the renewal applications and determine if further information is needed from the licensee to determine their eligibility.

Mr. Graham thinks he knows what the intent was for retired, but not sure of the Board's intent or views for inactive licensees. Mr. Lauseng agreed and thought he knew what the intent was, however, based on discussions in the Laws and Rules committee it is no longer clear. Many people have opinions on what is and what is not allowed for inactive or retired licensees.

Ms. Bischoff stated that removing the option for CPAs to be inactive is not available due to the fact that it is in the Board's statutes, however, there is some leeway on retired licensees. She also stated that in order to determine how an inactive licensee can practice, the first step will be to determine what the practice of public accountancy entails and how that affects what inactive licensees are allowed to do. The Board should determine what is permissible for each status to

do. Mr. Graham believes that the Board should consider whether or not inactive and/or retired status should even be available as options. Nationally, inactive licensees are being reviewed and perhaps becoming more restrictive.

Mr. Brown stated that the Uniform Accountancy Act (UAA) provides that inactive licensees cannot perform any accounting related service, whether the licensee is a volunteer, working at a non-profit and regardless of whether the licensee is compensated.

Mr. Lauseng advised the Board that the LRC discussed this matter and agreed that it was never the Board's intent to allow retired status licensees to practice in the capacity they are now. Both Steve McConnel and Alan Steiger serve on the LRC and were also involved when the retired status was created. Discussion at the time it was established that it was the protection of the public to have someone with years of experience and allow them to use their accounting skills.

Ms. Fast suggested that possibly providing the option of resign on the renewal application may help as well. Mr. Brown thinks there should be an exit strategy without having to give up your certificate or be put on lapsed status. Retired and inactive are restrictive which makes it difficult.

Staff was directed to continue to interpret the rule as written and provide a letter to retired licensees notifying them that the Board is reviewing this license option and may make changes in the future. The letter will also remind them that professional services are not allowed, including tax preparation where standards are provided.

The Board discussed various exceptions that may be considered that would allow some provision of professional services by retired status licensees. However, the Board would like the LRC to discuss this matter further and report back to the Board at its next meeting.

12. NEW BUSINESS

F. Department of Justice Flat Rate Billing Discussion

Mr. Brown explained that this discussion will provide information for a flat rate billing structure with the Department of Justice. The rate is based on prior history and adjusted with past history. This would provide with certainty on how much we will be billed to better project the Board's budget.

Mr. Steven Wolf, DOJ representative, joined the Board meeting to describe the flat rate billing option with the Department of Justice and answer any questions for the Board. Mr. Wolfe stated that the flat rate billing began as a pilot program which has now been in effect for some time. Currently there are 17 agencies using the flat rate billing plan.

The rate is based on a 3 biennia rolling average. The structure covers all legal counsel services, appellate, trial, however, if the Board was ever in a situation where it would be necessary to

seek outside legal counsel, which would not be covered under this construct as well as expenses such as postage.

The Board asked Mr. Wolfe how the rate is effected if the Board receives collections of cost. Mr. Wolfe responded that it does not affect what the Board's ending balance is for the flat rate plan.

The Board thanked Mr. Wolfe for his availability to answer questions and explain the program.

The Board was unanimous in moving forward and directed Pittioni to enter into the 2015-17 flat rate billing program offered by the Department of Justice.

15. PEER REVIEW OVERSIGHT COMMITTEE

A. Report on National Peer Review Oversight Committee Summit /Board Peer Review Oversight Committee Meeting

Ms. Fronk reported that she attend the National PROC Summit in Nashville Tennessee where she received valuable information, however, it appears that there are more questions than answers. There are many changes coming for peer reviewers. Mr. Roy Rogers attended the PROC meeting and provided helpful information. Mr. Rogers indicated to the committee that there is some concern of a lack of independence because the RAB is made up of the reviewers and they are basically reviewing each other's work.

PROC members would like to attend a RAB meeting and staff will work with Ms. Phyllis Barker to arrange that. The committee looked at some statistics, there were 140 peer reviews performed last year and only 9 failed reports. The committee is reviewing a recent White Paper document provided by NASBA that provides recommendations to State Boards on consecutive failed or pass with deficiency peer reviews.

Mr. Pittioni explained that the next PROC meeting will include committee input on possible administrative rule changes to reflect National trends on peer review follow-up. The committee is also considering eliminating the option of firms opting out of having their peer review results posted on the Facilitated State Board Access website.

16. CPE COMMITTEE

A. Minutes of July 21, 2015

The minutes were provided for information only.

B. Recommendations for Approval of Applicants for the Municipal Roster

- 1. Michael Rudi**
- 2. Jennae Thompson**
- 3. Jodi Daugherty**
- 4. David Herman**

BOARD ACTION: Moved by Mr. Wright and carried to make a preliminary finding that there is sufficient evidence that the applicants named above meet the minimum qualifications for admission to the Municipal Roster.

VOTE: 7 ayes.

Mr. Pittioni explained that Ms. Kristen Adamson and Mr. Joel Parks revised and redesigned the municipal auditor application. The committee also clarified courses that can be taken by applicants for admission to the roster.

17. QUALIFICATIONS COMMITTEE

A. Minutes of July 22, 2015

The minutes were provided for information only.

B. Recommendations for Approval

- 1. Stephen Lippold**
- 2. Victoria Walker**
- 3. Trevor Dierickx**
- 4. Thomas Nordgren**

BOARD ACTION: Moved by Mr. Graham and carried to find that there is sufficient evidence to make a preliminary finding that the above named applicants have met the minimum qualifications for initial licensing per OAR 801-010-0065.

VOTE: 7 ayes.

C. Recommendation for Denial

- 1. Connor Bates**

Mr. Bates applied for a license with experience gained at Resource Recycling Technologies. The committee reviewed the documentation provided by the applicant and his supervisor. The experience was narrow and focused primarily on basic journal entries and negotiated rates with vendors. The reviewer requested additional information from the applicant, however the additional information did not provide performance with other tasks that would satisfy the competencies. The committee recommended unanimously that the application be denied.

BOARD ACTION: Moved by Mr. Graham and carried to find that there is insufficient evidence to make a preliminary finding that Connor Bates has met the minimum qualifications for initial licensing per OAR 801-010-0065. The Board will offer the option to Mr. Bates to withdraw his application for licensure.

VOTE: 7 ayes.

D. Certification Programs

1. Memorandum of Understanding – Department of Revenue

This Memorandum of Understanding is for the Board's information only.

18. RATIFICATION REQUESTS

A. CPA Certificates/Permits

BOARD ACTION: Moved by Mr. Wright to ratify licenses issued as presented on the attached list.

VOTE: 7 ayes.

The Board approved list is attached hereto and incorporated herein by reference.

B. FIRM REGISTRATIONS

BOARD ACTION: Moved by Mr. Graham to ratify firm registrations issued as presented on the attached list.

VOTE: 7 ayes.

The Board approved list is attached hereto and incorporated herein by reference.

13. NEW BUSINESS

D. Ratification of Board Committee Appointments

- 1. BOACC**
- 2. CPE**
- 3. Qualifications Committee**
- 4. PROC**

Mr. Pittioni explained that the committee appointments process has not been consistent in the past. The Board was given current member rosters for each committee and asked to ratify the appointment of new members. The new members were recruited by members or Board liaisons to each committee.

BOARD ACTION: Moved by Mr. Wright and carried to ratify and approve all members assigned to the various committees.

VOTE: 7 ayes.

14. LAWS AND RULES COMMITTEE

A. Consideration of Laws and Rules Committee Recommendations

Mr. Lauseng provided the Board with updates on the LRC's progress on rule amendments. The Committee is now in Phase 2A. Board members were provided with the proposed amendments

to Divisions 005, 010, 020 and 040 which cover legislative changes from SB 272, fee increases and general housekeeping items.

Mr. Graham questioned why the 120/150 educational requirement was on the list to be discussed by the LRC when the Board has already determined that is not a change Oregon wants to make. Mr. Lauseng will discuss with 2B update.

B. Phase 2B Discussion

There is a list of items that still needs to be discussed by the Laws and Rules committee and is somewhat of a heavier lift for the committee. Items include inactive and retired status, firm registration requirements, reinstatement requirements, resignation of a licensee, access to Department of Revenue records, acceptance of Foreign CPE, 120/150 hour eligibility for exam, qualified supervisor licensee, renewal by birth year, ethics requirements for reciprocity applicants and the definition of 'in good standing'.

The committee has already discussed the inactive and retired status, however will continue that discussion. To address Mr. Graham's earlier question regarding the 150/120 hour requirement, it was on the list, but if the Board has already decided not to move forward it will be removed. The committee hopes to bring to the October meeting recommendations on these items.

The birth year renewal is there as a placeholder, possible make a policy discussion first. It is a long process for something like that to happen. It is simply on the list of items to discuss at some point.

The Board agreed for the LRC to move forward with the rule amendments presented.

BOARD ACTION: Moved by Mr. Wright to ratify the Laws and Rules Committee, to include Steve McConnel and Mike Ohanesian.

VOTE: 7 ayes

The Board needs to set a Board meeting for late September in order to keep on schedule for an October 1, 2015 rule effective date.

The Board decided to hold a phone conference call on September 30th at 9 a.m.

13. NEW BUSINESS

B. Strategic Planning Initiation / Planning for October Board Meeting

Mr. Brown found a strategic planning document developed by the California Board of Accountancy. The Board was also provided with a document of an accumulation of goal setting ideas that the Board developed previously. This will be a topic at the October meeting.

C. Updates on Collaboration with Other State Agencies

1. Department of Energy

2. Department of Revenue and Board of Tax Practitioners

Mr. Pittioni reported that he had a great meeting with the Department of Revenue at the Executive Director at the Board of Tax Practitioners. At this time, the Board has very few requests to the DOR and it is simply for the signature block on a tax return. It was discovered that the Tax Board has the authority written in their rules that allow them to get the full version of the tax return from the DOR.

The group also discussed collaboration efforts, for instance the DOR is unaware of individuals who file tax returns that have disciplinary action or a license status that does not permit them to file an Oregon return.

Discussions with the Department of Energy also went well. There is now a more collaborative effort with project management employees to update rules to bring them into alignment with the Board needs. Our licensees will then get the same message from both agencies when they decide to perform agreed-upon procedure engagements. Given the importance of this, there was an understanding of a prior attempt with the society and Board to bring things together, but it was never solidified. Mr. Pittioni would like to have a Board member to collaborate with to not repeat work that has already been done and move forward. Mr. Wright served on that work group and is happy to assist Mr. Pittioni with that work.

E. Impact on a Firm when a named partner is suspended

Mr. Pittioni and staff discovered that the rules do not address what happens if a suspension occurs on a named partner of a public accounting firm. Ms. Bischoff stated that the rules have been interpreted to be applicable to a licensee in good standing. To be an owner for example, you have to be a licensee in good standing. The Board has not considered the impact of a suspended licensee as an owner of a firm. If the Board determines that a suspended licensee cannot be a named owner, then how should the ownership interest be handled, can the firm continue to practice or would they need to change the firm name? It can create a big financial impact on the firm if for instance the licensee is only suspended for a few months.

The Laws and Rules committee can address this and further discussion should begin at the October meeting.

A. Policy Discussion: Bringing Settlements to the Board prior to the Board vote

Mr. Pittioni addressed a policy issue on when staff brings settlements to the Board before the Board has had a chance to vote on the matter. There were a couple of cases that it became clear when it was helpful. For instance, there have been times where the licensee is very eager to settle the case and agrees to terms in order to end the process and move forward. Mr. Pittioni has some discomfort notwithstanding explicit authority in Board rule with this approach, however he understands and agrees that this approach has come in handy at times.

Ms. Fronk agrees that with certain administrative matters, firm name for instance, it can be much more efficient. However if there is an allegation of professional misconduct or technical issues where the board may have varying differences, then it should come to the Board first before any settlement is offered.

Mr. Brown believes that if the licensee agrees to all the potential violations, it can be a very efficient process for staff to draft a settlement proposal and save time by presenting it together with the investigation. Mr. Lauseng concurred. In the most recent case where this option was used, the licensee did not agree to all the violations listed, however after he reviewed the agreement developed by Board counsel he agreed to the parameters set forth therein. Board members discussed that it may be helpful to develop parameters for when the Board would use this option.

Mr. Graham was uncertain of the process that brought that particular settlement directly to the Board without the Board reviewing and discussing the case prior to settlement. When presented with a settlement without hearing the full circumstances it makes it difficult and can persuade members. He would like to continue with the process of all Board members being a part of the discussion, recommending sanctions etc., and prior to development of a settlement proposal. Mr. Brown stated he has no regrets trying a more efficient route, and that at the same time he will support developing parameters around that option.

18. ADJOURNMENT AND ANNOUNCEMENT OF NEXT MEETING

Chair Brown adjourned the meeting at 4:40 p.m.