



Oregon Board of Accountancy
Laws and Rules Committee
Minutes of October 15, 2015

Item 3.A.2.
Public Board Meeting
December 7, 2015

Board of Accountancy/Large Downstairs Conference Room
3218 Pringle Rd SE, Salem, OR 97302

Present:

John Lauseng, CPA, Chair*	Sherrie McPherson, OSCPA
Alan Steiger, Retired-CPA	Susan Bischoff, Legal Counsel
Steve McConnel, Retired-CPA	Martin Pittioni, Executive Director
Lynn Kingston, CPA*	Kimberly Fast, Licensing Manager
Michael Ohanesian, CPA (10:09am)	Julie Nadeau, Licensing Specialist

*denotes Board member representatives to the LRC

1. Call to Order / Adoption of Agenda / Announce Recording

Mr. Lauseng called the meeting to order at 10:01 a.m. and announced the meeting was being recorded. Members introduced themselves. Mr. Lauseng thanked the Committee for their patience in rescheduling.

2. Approval of Minutes

a. June 4, 2015

COMMITTEE ACTION: Mr. Steiger moved to approve the minutes of June 4, 2015.

MOTION PASSED: 4 Ayes.

b. July 27, 2015

Minutes were unavailable.

3. Discussion on current LRC work items ready for substantive work

a. **120/150 Research**

Ms. Kingston provided an overview of her research with regards to the possibility of amending the rules allowing candidates to sit for the CPA examination with 120 semester hours rather than 150. She reported that there was no overwhelming desire from the Board to revert back to 120 credit hour requirement for exam qualification. NASBA prefers a 150 credit hour requirement, the AICPA articulates approval because accounting is more complex, and Portland State University (PSU) articles weren't conclusive. PSU noted the overall number of participants in the program have decreased, but they couldn't document the change in credit requirements as causing the downturn and were supportive of the 150 credit hour requirement, however, students were mostly opposed to the new requirement. Ms. Kingston noted that a separate study showed a decline in states with a 120 credit hour requirement as well and that the overall feeling is that the decline could be more closely attributed to popularity in other fields of study. That study also pointed out that candidates in states with the 150 credit hour

requirement outperformed candidates in states with a 120 credit hour requirement when sitting for the CPA exam.

Mr. McConnel wondered if there was a correlation between the number of credit hours required and how long licensees remained in the field of public accounting. He noted that the ultimate concern of the Board is to have high quality professionals that remain in the profession. Ms. Kingston added that academic colleagues seem to have moved on from the 120/150 discussion and that there is little support for reverting back. There are currently 12 jurisdictions requiring 150 credit hours.

Mr. Ohanesian pointed out that the extra credit hours make the process much longer. Upon earning his baccalaureate degree, he had already met the accounting requirements so he went on to take random courses to meet the 150 requirement. He questioned how public safety was being protected by requiring the additional general credit hours. Mr. Pittioni discussed the need for significant cause to make a statutory change. Ms. Bischoff asked if firms hire candidates who have 120 credit hours. Mr. Lauseng and Ms. Kingston said their firms won't hire full time employees until they are eligible to sit for the CPA exam and that they continue to have plenty of well qualified applicants.

b. Qualified Supervisors

Mr. Ohanesian reviewed the issue with qualified supervisors (actively licensed for 5 of the previous 7 years) who are not, in reality, qualified to supervise and mentor. He discussed the possibility of tracking standards and a system of peer review for qualified supervisors. Mr. Lauseng said that, while he doesn't disagree in theory, there are practical concerns with restricting supervising licensees. He noted that complaints or peer review would be the only options for implementation and that additional punitive actions could end up punishing candidates. He suggested that Mr. Ohanesian research potential solutions in other states and with NASBA. Ms. Bischoff added that the Bar has established a formal mentoring process that seems to be working well.

c. Reinstatement Rules – initial draft

Ms. Fast discussed the proposed amendments to the reinstatement rules. She noted that the language that was added was from Division 040 for cohesion.

- 801-010-0130(1) the reference to Retired was removed and language was added with regard to reinstating a lapsed license to permit reinstating from lapsed to active or inactive. Retired may be an item for discussion.
- 801-010-0130(2)(a) added to reaffirm the 80 hours, plus 16 penalty hours for reinstatement.
- 801-010-0130(2)(c) Language added from another section to state once a licensee is reinstated, their CPE is prorated to the next reporting cycle.
- 801-010-0130(3)(a) added to reiterate the 16 hour penalty for continuity

Mr. Pittioni discussed the language in 801-010-0130(4)(b), noting that he recalled discussion that a lapse for more than six years could not be reinstated, yet the "good cause" language leaves more gray area that could create a flood of requests to the Board. Ms. Bischoff felt the language presented a policy question, with "good cause" setting a relatively low standard and that inclusion of "extraordinary circumstances" should make it clear that reinstatement is at the Board's discretion.

- 801-010-0130(7)(a) allows for CPE taken to maintain active licensure in another jurisdiction to justify reinstatement from lapsed or inactive. Mr. Pittioni noted that the language should include the requirement that the other license was kept active during the lapsed period.
- 801-010-0130(9) – all new language to address the situation of reinstating from lapsed to inactive. Mr. McConnel suggested that the 8 hours of penalty be included in the language for consistency.

Mr. Pittioni asked if the Committee was satisfied moving forward without language allowing a licensee to reinstate from lapsed to retired. There was general consensus, with Mr. Steiger suggesting that the Board be given discretion in special circumstances. Ms. Bischoff stated that reinstatement from a suspended license should require Board approval and allow for specific Board action, including conditions of reinstatement.

Mr. McConnel noted that 801-010-0120(1)(C) references sole practitioner, which is not defined. Licensees who work in firms that are not required to be registered are not addressed. Mr. Lauseng suggested this be flagged until the Committee discusses the Inactive Status language.

d. Municipal Roster License Proration – initial draft

Ms. Fast noted that 801-020-0690(2)(a) needs to include language to address the municipal auditors who do not hold an active license in Oregon. Mr. Pittioni and Ms. Bischoff suggested that the language could be changed to say “the applicant must be a licensee in good standing with the Board of Accountancy or in a substantially equivalent jurisdiction” to cover this situation.

Ms. Fast also noted changes in 801-020-0700(5) to include language that allows for proration of a municipal auditor’s initial permit fee to be consistent with other initial licenses.

5. Pre-view of work items for future LRC work session

a. Retired and inactive – process discussion only

Mr. Lauseng recommended that the LRC not engage in a deep policy discussion, but discuss process only at this time to allow for thorough review of language presented by Ms. Bischoff. Ms. Bischoff prepared materials based on discussions and information provided from members. She combined language for retired and inactive into one section of rule for consistency, with the biggest change being the inclusion of what activities are permitted for an inactive licensee. Mr. Lauseng said the hope is to create rules that are clear and consistent, in both policy and application. With regard to retired status, Ms. Bischoff noted that retired licensees are permitted to act as trustees or to perform volunteer work, but the rules never intended for a retired licensee to continue working in the field of accounting for compensation. She was sure to include language to allow for approval from the Board wherein they can attach reasonable conditions when requests fall outside the scope of the standards.

Mr. Lauseng liked the general direction of the changes, but expressed concern for prohibitive wording for retired licensees. He noted that the Board would need to discuss how they would delegate authority to staff or provide for interpretation of scenarios versus Board discussion of each scenario. Staff has prepared a spreadsheet of responses from retirees that could be reviewed by the Board to grant general approval for specific lines of work. These details could be outlined in a FAQ and posted on the Board's website.

Mr. Pittioni asked for clarification on 801-010-0120(6)(D) on Page 2 of the discussion draft. He asked if it would make a difference if the person was licensed by another licensing agency, such as a financial consultant, and Ms. Bischoff suggested adding language about properly licensed individuals in other professions. Mr. Lauseng suggested that, if the LRC is generally in support of the direction, this discussion be added to the next agenda whereupon the LRC could take a deeper look at specific language. Ms. Bischoff asked that comments be directed to Ms. Fast or other staff so as not to be in violation of public meeting laws.

There was discussion about retired licensees serving on a Board for compensation. Mr. Pittioni warned that there should be a clear line regarding what activities are allowed. The consensus was that retired licensees can serve a useful role in society, especially in the non-profit arena, and that there is a definite need to establish clear parameters.

Mr. Lauseng suggested a continued discussion at the next LRC meeting. The LRC agreed to meet on November 16, 2015 from 9:00 am to 1:00 pm.

Mr. Ohanesian left the call at 12:09 pm and Ms. McPherson left the call at 12:10 pm.

3. Discussion on current LRC work items ready for substantive work
e. Resignation of a License – initial draft

Ms. Bischoff shared that the new language included a substantial amount of clarification for resignation of a license during an investigation or complaint, that the obligation to notify clients was enhanced, that clients could be involved in the decision to forward their records, and that resignation under investigation would be deemed to be a revocation for cause. Ms. Bischoff believes a category of disciplinary resignation should be included in the rules. The LRC discussed different scenarios for which the Board may receive a request for resignation.

4. Statutory Changes / Legislative items
a. Possible 2016 item on PROC – confidentiality

Mr. Pittioni stated that the PROC has been discussing the future of the committee's work and the role they would like to take. There is a solid consensus for improving peer review without a direct relationship to asking follow-up questions regarding a peer review result and compliance with a disciplinary outcome. They still want to have an educational and remedial focus. He discussed the

current language in ORS regarding confidentiality of materials obtained by the PROC in regarding possible compliance issues and Ms. Bischoff advised that the language did not allow for the desired confidentiality without a change in statute. From a timing perspective, work on statutory authority would need to happen quickly for the PROC to engage in meaningful work until it has been addressed in statute. It would also be helpful if the current discussion focused solely on the confidentiality needs of the PROC without an attempt to tie in changes that could be more controversial, such as confidentiality in compliance cases. He suggested that the Board would likely appreciate the LRC having a discussion and providing feedback. The Committee discussed how confidentiality applies within the PROC process and possible options for new language since it is the desire of the PROC that confidentiality awarded by the RAB should remain intact until the public interest or public safety is in jeopardy. Mr. Pittioni noted that confidentiality is critical to an open process and lack of confidentiality would change the nature of the peer review relationship, while creating greater incentive for hiding information. Mr. Pittioni noted this discussion hasn't taken place at the Board level yet due to timing of discussions. Ms. Bischoff said the Board would need to evaluate what role they want the PROC to play in the future.

b. 2016 Fee Bill

Mr. Pittioni reported that the fee implementation for SB581 is done. The Board still needs the Legislature to ratify rule changes regarding fee increases, which may occur in the special session beginning in 2016.

c. 2017 – Board process on evaluating pros and cons of semi-independence

In order to meet the April 1, 2016, legislative submission deadline, the Board needs to solidify in March 2016 anything they would like to be considered by the Legislature in 2017. There is a possibility to present a semi-independence concept. The Board will likely use their May meeting for strategic planning and Mr. Pittioni suggested the LRC evaluate the possibility. He indicated that there were business outcomes to consider in addition to performing a risk analysis. Mr. Lauseng suggested that the assessments could be completed by a volunteer or a consultant who could report to the LRC. Mr. McConnel offered to look into AICPA resources on semi-independence and report back to Mr. Pittioni and Mr. Lauseng.

5. Pre-view of work items for future LRC work session

b. Acceptance of Foreign Credits

Ms. Kingston reported that she met with Ms. McPherson and they were going to look more closely at the UAA to see if Oregon would be better to mirror or draft our own language.

c. Others

Mr. Lauseng mentioned the issue with firm registration, but noted that it would be going forward at a slower pace.

3. Discussion on current LRC work items ready for substantive work
f. PROC referral – Division 050 rules draft

Ms. Fast discussed that the trend is to require firms to opt in to FSBA Peer Review. She noted the modified language in the Division 050 draft, but noted that language was added that would only require firms to submit the peer review information upon request from the Board. Ms. McPherson agreed, by email prior to the meeting that “upon request” would be appropriate. Mr. Pittioni mentioned that the PROC felt, since staff has already been compensating for the lack of compliance in peer review documentation, that the “upon request” language would be preferable to requiring the automatic volume of paper. Mr. Pittioni felt the flexibility being offered would be a good compromise.

Ms. Bischoff asked about the margin note in OAR 801-050-0020(2)(d) related to out-of-state firms providing compilation services. Ms. Fast suggested removing compilation because out-of-state firms that only provide compilation services are not required to register with the BOA and it would be impossible to track.

6. LRC General Planning
a. Development of meeting schedule and rules development timeframe
b. Review of Legislative planning / applicable timeframes

Mr. Lauseng suggested that the planning discussion take place at the meeting scheduled for November to allow time to review language changes and draft new language.

7. Adjournment

The meeting adjourned at 1:34 p.m.