

**OREGON BOARD OF ACCOUNTANCY
2008 SPRING WORK SESSION
MINUTES**

Sunday, May 18, 2008

Eugene Hilton

Eugene, Oregon

*The Board of Accountancy protects the public by regulating
the practice and performance of all services
provided by licensed accountants*

Board Members

Jens Andersen, CPA, *Vice Chair*
Kent Bailey, CPA, *Chair*
Eric Lind, *Public Member*
James Gaffney, CPA
Stuart Morris, PA
Roberta Newhouse, CPA

Staff Members

Carol Rives, *Administrator*
Noela Kitterman, *Investigator*
Kimberly Bennett, *Cmte. Coordinator*
Joyce Everts, *Cmte. Coordinator*
Heather Shepherd, *Cmte. Coordinator*

Excused

Ray Johnson, CPA

Guests

Jeff Dover, AAG
Scott R. Wright, CPA, OSCPA
Janice Essenberg, CPA, OSCPA
Sherri McPherson, OSCPA
Joyce Funkhouser, OAIA
Sue Robertson, OAIA

CALL TO ORDER

A. Appoint Process Observer

A quorum being present, Vice Chair Andersen called the meeting to order at 10:15 a.m. and convened the scheduled executive session. Public session was reconvened at 1:05 p.m. Stuart Morris was appointed process observer and guests were introduced.

2. Professional and Regulatory Issues

A. Substantial Equivalency (Mobility)

The Board and the Oregon Society of CPAs (OSCPA) have created a task force and are working together to consider revised UAA Section 23 provisions relating to license mobility. The Board sent a survey using the Board's list serve and has started receiving responses. Mr. McConnel reviewed the AICPA response to our concerns and presented explanatory information. Mr. Dover attended the NASBA Legal conference where it was reported that few states have passed the Uniform Accountancy Act as written. Some states have adopted portions of the UAA while others are developing legislation that will include various versions of the UAA. The next task force meeting is June 25, 2008 at the Board office.

B. Pre-Issuance Review Taskforce

The Pre-Issuance Review Task Force met April 29, 2008. This task force was organized to review the current procedures related to Board requirements for a public accounting firm to undergo pre-issuance review of a designated number of audits or attest services performed by the firm. The Board is currently using Interpretation #9 of the AICPA Peer Review Standards as the benchmark for pre-issuance reviews.

The task force agreed that a pre-issuance review could be performed either as an agreed-upon procedure or as a consulting engagement between the firm and the reviewer.

The AICPA Peer Review standards are intended to standardize the peer review process and are not useful as a guide for performing pre-issuance reviews. There are currently three levels of peer review: report review, engagement review and system review. Interpretation #9 relates only to report reviews and provides no guidance for either engagement or system reviews. Further the word "significant" in the interpretation requires a statement of judgment, and an agreed-upon procedure does not generally draw conclusions.

In January 2009, the AICPA Revised PR Standards became effective and will only provide two levels of peer review: engagement review and system review. Interpretation #9 will be eliminated. There is also a new engagement quality control review standard: SQCS- 7. It was suggested that the SQCS-7 standard might provide an appropriate framework for Board reviews. Among other things, this standard speaks to hiring an outside final reviewer if the firm is receiving unacceptable peer reviews. This approach requires reviewer objectivity, as opposed to the standard "second partner review" that many firms utilize.

It was also suggested that either the Board Peer Review Oversight (PRO) Committee or the Complaints Committee, or both have a role in reviewing reports provided under a Board order.

The task force agreed that the Board should provide adequate information for all parties to understand the requirements and the outcome expected for each Board review. Gerald Burns, Fred Erickson, Scott Wright and Kent Bailey will develop proposed procedures for review and comment. The procedures will give the reviewers a sense of the Board's goal.

The following questions may be addressed in the procedures.

- . When to modify a report
- . When to write an adverse report for non compliance
- . What is the responsibility of the reviewer
- . How to write the report
- . What feedback does the Board want
- . What to do if there is disagreement between Firm and reviewer
- . What outcome does the Board want to achieve
- . Does the Board want a second partner review
- . How to report results to the Board
- . Provide guidance on drafting consent orders that will enable the Board to reach its desired outcome
- . Determine what is significant or material or is it a judgment call
- . Standard report or reviewer to use their own judgment

3. Staff and Board Reports

A. Biennial Report of legal fees

To be presented at the October 2008 Work Session

4. Administrative Matters

A. Administrative Rule Development

1. 801-010-0115 – Resignation of Licensee

This rule is being modified for licensees who choose to resign their permit in lieu of disciplinary action. The current rule uses the term “misconduct” which is being replaced by the term “cause”.

2. 801-010-0345 Registration of Business Organizations:

This rule is being modified to include professional corporations and Limited Liability Companies. The Board questioned the difference between LLCs and LLPs. More research is needed to determine if both or neither should be included in this rule modification.

B. Administrator Succession Planning

The timeline has been changed to allow for a second interview panel. The interview process is not a public meeting so a decision is not needed until closer to the interview times as no notice will need to be posted.

The most recent administrator evaluation polled the staff, which the Board chair appreciated. Future evaluations should include a staff poll and review from the Board chair as well as one additional member. The evaluation will be discussed during Executive Session at least once yearly.

C. 2007-09 Budget Reporting Update

1. Investigator Pool

Four firms were approved in the Investigator Pool process. The Board is prepared to present three complaints to the approved firms and request a bid from each. The Board will contract with the lowest bidder.

2. On-Line Licensing Update

The Board has hired a consultant to define current procedures and requirements needed to develop an RFP. Progress report will be provided in October.

D. 2009-11 Proposed Budget Development

The Board reviewed the projected 07-09 budget and fund balance that was developed for the February 2008 Board meeting. Since that time, changes have been made. On-line licensing is expected to cost \$350,000 and the earliest time-line for on-line licensing for permit renewal is 2010. Firm registrations may be on-line in December 2009.

The attached (*Attachment A*) 2009-11 budget projections and fee increase analysis indicates a \$657,892 shortfall. Rives will update the following estimates for review: loss in revenue from reciprocity and firm renewals due to mobility; additional increase in services and supplies due to inflation; increased amount allotted for the Attorney General fees. Rives will also develop a letter for review advising the legislature of the Board’s performance measure progress and the possibility of a fee increase.

E. Performance Measures and Policies

1. The attached memo to Budget & Management and LFO (*Attachment B*) was discussed. The Board believes that when a complaint is received it should be put on a list for either an action or no action. The Board investigator needs to determine up front if the issue is within the Boards jurisdiction, if not then it does not go on the licensees record.

The Board reviewed for each outcome definitions of outcomes for complaint reviews available to the Board and the corresponding description for each outcome (*Attachment C*). The proposal suggests that complaints having no merit would not be reflected in the licensees record. There was discussion that this may put too much reliance on the investigator/administrator. This item will be discussed further at the October worksession.

2. Best Practices for Boards and Commissions
Defer to August 2008 meeting.

F. Board Committees

The Board reviewed membership of the standing committees and discussed the problems that result if a committee member does not attend committee meetings. The by-laws address this situation and the Board confirmed the current process for Committee Chair and Board liaison to work together to resolve the issue or to make a recommendation to the Board if a committee member should be removed.

G. April 24, 2008 Complaints Committee Minutes

During the April 24, Complaints Committee meeting. Committee members expressed frustration with what they perceive to be inconsistencies between directions provided to the committee and actions taken by the Board.

Committee members felt that they spend a great deal of time reviewing and discussing each complaint investigation so that the committee recommendation will reflect the seriousness of the violation and also be consistent with previous Board decisions. While the committee understands that final decisions are within the discretion of the Board, it is reasonable to believe that experienced committee members should have a reasonable understanding of the Board's directions and parameters.

The Board encourages the Committee to recommend a civil penalty amount and the basis of the calculation explaining that the Committee recommendation is an indicator to the Board of the severity of the violation. The Board also encourages the Committee to continue making recommendations based on each occurrence rather than per year. The Board believes that if a licensee understands the violation and understands how to proceed in the future, the amount of the civil penalty is less important. The Board is concerned that the Committee expressed frustration and questioned whether the committee would like to have one or more committee members attend that portion of the Board meeting. The Board urges the Committee to continue providing the Board with its thoughtful and independent analysis of each case.

5. Process Observer Report

Mr. Morris complimented Mr. Andersen for reviewing the agenda at the beginning of the meeting. This assisted in the transition of agenda items going smoothly and it did not feel as if the meeting was being rushed or that each agenda item was pushed without full consideration.

6. Adjourn

The meeting adjourned at 4:32 p.m.