

State of Alaska
Department of Commerce, Community and
Economic Development
Division of Corporations, Business and Professional Licensing

BOARD OF PUBLIC ACCOUNTANCY

MINUTES OF MEETING

August 5-6, 2019

By authority of AS 08.01.070(2), and in compliance with the provisions of AS 44.62, Article 6, a scheduled meeting of the Board of Public Accountancy was held August 5-6 2019.

Monday, August 5, 2019

Call to Order/Roll Call

The meeting was called to order by Karen Brewer-Tarver, at 8:58 a.m. Those present, constituting a quorum of the Board were:

Leslie Schmitz, CPA – Anchorage
Karen Brewer-Tarver, CPA – Juneau
Wayne Hogue, Public member – Kotzebue
Wesley Tegeler, CPA – Wasilla

Present from the Department of Commerce, Community and Economic Development, Division of Corporations, Business and Professional Licensing, were:

Cori Hondolero, Executive Administrator

Visitors present included:

James Cox, representing the American Institute of CPAs (AICPA)
Bernadette Kopyy, representing the Alaska Society of Independent Accountants (ASIA)
Crista Burson, representing the Alaska Society of CPAs
Kathleen Thompson, representing the Alaska Society of CPAs
Jeff Johnson, representing himself

Agenda Item 1 – Review Agenda

The Board reviewed the agenda and no changes were made.

Upon a motion duly made by Mr. Hogue, seconded by Ms. Schmitz, and approved unanimously, it was:

RESOLVED to approve the agenda.

Agenda Item 2 – Ethics Report

It was determined that there was nothing to report.

Agenda Item 3 – Review Meeting Minutes

The Board reviewed the minutes of the last meeting.

Upon a motion duly made by Ms. Schmitz, seconded by Mr. Hogue, and approved unanimously, it was:

RESOLVED to approve the minutes of the May 29-31, 2019 meeting as written.

Agenda Item 4 - Alaska Society of Certified Public Accountants (ASCPA)

Ms. Burson, CEO for the State Society provided a summary of current AK Society activities:

- The AKCPA Board met July 31st and will meet again in September
- The Society sent a letter to the UA Board of Regents in support of the accounting program. There will also be a template letter provided for people who also want to send their support
- 6 Alaska CPA will be attending the WA Bottles/Brews/Buds conference
- There are updated CPA evolution principles
- The Society will be adding ethics course dates
- There are expected to be around 35 attendees at the Society/Board luncheon

Agenda Item 5 – Public Comment

Jeff Johnson wanted to note that he appreciates the Board meeting in Fairbanks to allow those in the region to participate.

Agenda Item 6 – Work Session with AICPA

Mr. Cox was present to speak with the Board and had sent an updated version of the project which was included in the meeting packet. There was discussion about the definition of firm. With the updated version of the project, a permit would be required when doing attest work, regardless of legal entity structure.

Ms. Brewer-Tarver indicated that in her opinion, a sole proprietor doing attest needs a permit. Ms. Schmitz noted that the Board could carve out sole proprietors in the end if necessary. Ms. Brewer-Tarver noted that new applications would be required if this change is made.

Mr. Johnson (public) stated that the focus should be on attest; single member legal entities have been paying firm fees regardless of the number of employees. Ms. Brewer-Tarver mentioned that a tiered fee structure could be set up based on the number of CPAs in the firm. Mr. Cox noted that Texas has tiered fees; he will check with them to see how it works. There would be a difference between sole proprietors and sole proprietors doing attest; new project could specify attest for firms. Mr. Tegeler indicated that he likes the idea of a simple process/fees; tiered system based on number of licensees within the firm.

Ms. Brewer-Tarver noted that there is public protection when sole proprietors can be identified via permitting. Mr. Cox asked how to address resistance if there is pushback on updating the firm definition. Ms. Thompson (AKCPA) stated that there needs to be strong explanation of why the firm permit for sole proprietors should be required; focus on it being better for the profession and the added level of transparency. Ms. Brewer-Tarver noted that from a public perspective if they walk in to an office, they assume it is a firm – they pay the business.

Mr. Johnson (public) asked about the reciprocity issue. Mr. Cox asked about the designated function definition; is it attest? Seems like a subset. Under the current definition of attest everything but compilation is included. With firm mobility, there is no permit issued (no notice/no fee); the State the firm operates in has oversight. Ms. Schmitz noted that there are currently out of state permit exemptions for compilations and reviews. Under firm mobility, any attest would be subject to oversight. It was noted that there would be a loss of revenue for the out of state permits. North Carolina requires notice, but no fee; they put the information in a file in case something was to come up.

Mr. Johnson (public) noted that the time it takes to obtain an out of state permit could be viewed as a barrier to entry. The Board needs to decide if they if they are amending the existing out of state permit requirements or moving towards firm mobility with full wrap in of public accounting services, not just attest.

The Board recessed the meeting to attend a scheduled State Society luncheon.

The Board continued their discussion and determined that when they make their motion for action it can outline general intent vs detailed wording. It was noted that firm mobility will ease restrictions on cross border practice.

Mr. Cox asked the Board about compilations under attest; 10 states currently include compilations. AICPAs position is that compilation = attest service. If

compilations are part of attest, peer review is required. Alaska's current peer review wording does not pull in compilation and Alaska is still considered to have the comprehensive definition of attest. The Board noted that their goal would be to update compilation to be more streamlined with UAA. There is no requirement to pull in compilation at this time, unless the Board wants to.

The Board moved on to discussion of peer review and noted that this section would also need update. A regulation change after this legislative project would also be required to address facilitated state Board access and to define what is done with reports. Levels of accreditation (3) are listed in UAA; the Board decided they would not be addressing this in the current project. The Board also decided to leave the existing requirements to sit for the exam and reciprocity alone.

CPA firm definition – update to include sole proprietors

Firm mobility – remove out of state permits and adopt firm mobility to increase public protection and oversight; designated service goes away with firm mobility

AS 08.04.450 – the Board wants to add the additional suggested items from the draft to the project.

AS 08.04. 620 - Foreign licensure - update as recommended

Work papers – AS 08.04.660 – there was discussion about why this was listed in the statutes if it is also addressed in the code of conduct. It was decided that listing it within the statutes made it more accessible and the Board opted to take any updates to this section out of the current project.

It was noted that the Society would need an updated draft to work from as soon as possible, with the goal being that the legislative committee would have a chance to review before the State Board meets again in November.

Definition of report – update

Definition of State – update to remove American Samoa and update Mariana Islands.

The Board determined that they would not be defining “good moral character”

AS 08.04.440 – edit to reference rules or repeal last sentence of this section.

AS 08.04.100 – Repeal

AS 08.04.680(3) – Repeal

Make sure that there are no references to “certificate” in the statutes/regulations; language should reference “ license” or “permit” only.

The Board determined the meatiest topics within this project will be the definition of CPA firm and firm mobility; everything else is mostly cleanup.

Agenda Item 7 – CPA Exam

The Board reviewed the exam questionnaires that it had received for the last test period. There was one comment about being asked to see identification during the test. The Board asked that this questionnaire be forwarded to NASBA, so they could make note of the disruption.

Agenda Item 8 – NASBA Updates

Meetings

Western Regional Meeting – Ms. Brewer-Tarver attended on scholarship and reported that the following topics were discussed: peer review, peer review oversight committees (PROCs) with states handling them differently, CPA evolution including guiding principles (IT, data analytics), CPE provider standards changes and a regional breakout session was also attended.

Annual Meeting – check with Ms. Beltrami to make sure that she can still attend and submit requests for approval to attend.

Committees

Ms. Schmitz – CBT Administration Committee – there had been no meetings of the committee since the last Board meeting.

The meeting was recessed at 4:14 p.m., until Tuesday, August 6, 2019.

Tuesday, August 6, 2019

Call to Order/Roll Call

The meeting was called to order by Karen Brewer-Tarver, at 8:38 a.m. Those present, constituting a quorum of the Board were:

Leslie Schmitz, CPA – Anchorage
Donovan Rulien II, CPA – Anchorage (Zoom – agenda item #12)
Karen Brewer-Tarver, CPA – Juneau
Wayne Hogue, Public member – Kotzebue
Wesley Tegeler, CPA – Wasilla

Present from the Department of Commerce, Community and Economic Development, Division of Corporations, Business and Professional Licensing, were:

Cori Hondolero, Executive Administrator
Nina Akers, Investigator (Zoom - agenda item #11)

Visitors present included:

James Cox, representing the American Institute of CPAs (AICPA)
Bernadette Kopyy, representing the Alaska Society of Independent Accountants (ASIA)
Crista Burson, representing the Alaska Society of CPAs
Representative Steve Thompson, representing himself

Agenda Item 10 – Review Agenda

There were no required updates noted.

Agenda Item 11 – Investigative Report

Investigator Akers called in to provide the investigative report.

The report included in the packet was dated May 10, 2019 and covered the period of May 10, 2019 through July 18, 2019. During this period two matters were opened and one matters was closed. Nine matters remain ongoing/open.

Investigator Akers stated that some of the older cases should be closed soon and asked about attending a conference in October. The Board noted that in October was the NASBA annual meeting, which did not include information that pertained to investigative training/information.

Upon a motion duly made by Ms. Schmitz seconded by Mr. Hogue, and approved unanimously, it was:

RESOLVED to accept the imposition of civil fine for case #2018-000302.

Agenda Item 12 – Statute/Regulation Projects

Mr. Rulien called in to participate for this agenda item.

The Board wanted to recap the proposed updates before speaking with Representative Thompson.

The Board wanted to recap the proposed updates before speaking with Representative Thompson.

CPA Firm Definition – roll in sole proprietors to increase transparency and consistency with model rules. This will result in increased public protection and elimination of multiple pages of separate firm explanations.

It was noted the Board would work with the Division to update the fee structure for firms; tiered structure based on firm size.

Firm Mobility – follow model rules; this will simplify processes and result in cost savings in regard to investigative matters. There will be the ability to piggyback investigative efforts and increase communication with other licensing jurisdictions.

Peer Review – Update statutes to reflect peer (vs quality) review. Update to reflect current practices. Allow for creation of a Peer Review Oversight Committee (PROC) and to have facilitated state board access. Board will need to define what is done with reports. Peer review will be based on the services you provide, not how your entity is organized.

The Board asked Mr. Cox for clarity on what a PROC can do. Mr. Cox stated that a PROC can't do more than what is listed in the statutes/regulations. Ms. Brewer-Tarver added that if a PROC committee reviewed a case and wanted to take action, there would be set guidelines for what action could be taken.

Foreign Licenses – update to conform for model rules.

Update Definitions – Report and State.

AS 08.04.100 – repeal since the Board does not issue certificates.

AS 08.04.440 – this section needs cleanup; edit or remove last sentence.

Representative Steve Thompson joined the meeting to discuss new draft legislation with the Board. The Board thanked Representative Thompson for taking the time to appear in person to discuss potential updates and for his continued support with CPA projects.

The Board noted that they had narrowed this project down to a couple larger updates and some general cleanup items:

- CPA Firm Definition – update to include sole proprietors; this change will eliminate multiple pages of the statutes
- Firm Mobility – this will eliminate the out of state firm permit requirement. It removes a cross state barrier; a firm in good standing in

- Peer Review – updates to this section will allow the Board to establish a peer review oversight committee (PROC) and will also allow facilitated state Board access. Through this project will also update all references of “quality” review to “peer” review.
- Updates to a couple of the definitions listed in the statutes
- And a few other cleanup items

The Board noted that they would be working the state society legislative committee on this project. The goal would be to have the Board review the project again in November and have a draft bill ready for pre-filing in December. Representative Thompson noted that Ms. Bergh who had assisted with the last project was currently out of the office, but would be involved with this project when she got back. The project will have to be sent to legislative legal for drafting, so the quicker that it can be sent over, the quicker the project can be started.

Representative Thompson also discussed the issue of reverse sweeps of licensing funds and travel policies with the Board. The Board noted that there have been varying travel policies over the years with one being that if your program was not in a deficit, you could travel. Now the Boards are being restricted to limited in person meetings. The Board again thanked Representative Thompson for his time and assistance.

Upon a motion duly made by Ms. Schmitz seconded by Mr. Hogue, and approved unanimously, it was:

RESOLVED to seek legislative changes to: CPA firm definition, revise out of state permits (allowing for firm mobility), clean up/conform various statutes to more closely mirror the Uniform Accountancy Act (UAA).

The Board wanted to be sure that Representative Thompson’s staff was given contact information for both Mr. Cox and Ms. Burson. Mr. Cox stated that he would provide an updated draft of the project that was numbered and a cover letter to accompany the draft explaining each change. Once the Board approved a final version of the project it could be forwarded to both the legislative committee and Representative Thompson’s office.

The Board decided that they would combine lunch and attempt a test site visit.

Agenda Item 9 – Prometric Test Site Visit

The Board conducted an unannounced test site visit at the University of Alaska Fairbanks location.

Agenda Item 12 – Statute/Regulation Projects

Ms. Brewer-Tarver will work with Ms. Hondolero to review the statute/regulation list that is part of the agenda for future meetings and make updates.

Regulation items that still need future review are: continuous testing, educational requirements for licensure (accounting concentration), credits earned through testing. The Board requested that the UAS/UAA/UAF degree info also be included in the November Board packet.

Agenda Item 13 – Board Business

ED Report

Staffing of Marine Pilot Board – Ms. Hondolero has been assigned the duty of this additional program by the Division. The Board noted their concern on the impact this may have on CPA licensees/applicants. They decided that a letter to the Division expressing the Boards concerns might be required.

The Board discussed items that could potentially be reviewed between meetings; possibly out of state permits and firms.

The Board noted that they would plan time on the November meeting agenda to hear the Division's presentation on right touch regulation. The Board also wanted to remember to keep the possibility of a sweep of the Board surplus as an item to track in case it comes up during the next or future legislative sessions.

Agenda Item 14 – Public Comment

There was no one present that made a request to address the Board.

Agenda Item 15 – Application Review

The Board members present reviewed applications and took the following action:

Upon a motion duly made by Mr. Hogue seconded by Ms. Schmitz, and approved unanimously, it was:

RESOLVED to deny Atsushi Kosuge's request for extension of REG score; 12 AAC 04.200(i), credit not lost due to circumstances beyond applicant's control.

Upon a motion duly made by Mr. Hogue seconded by Ms. Schmitz, and approved unanimously, it was:

RESOLVED to approve the Out-of-State firm permit of Schellman & Company, LLC.

Upon a motion duly made by Mr. Hogue seconded by Mr. Tegeler, and approved unanimously, it was:

RESOLVED to approve Joshua Banks, Vikesh Babulal, Prerna Chandla, Aniruddah Dutta, Shanna Entin, Mohit Garg, Maharram Mustafayev, Clarissa Ripley, Hayley Rodgers and Tzu Yin Wei for licensure by exam.

The Board asked Ms. Hondolero to contact NIES to see if they have educational areas that they think the Board should look at.

Agenda Item 16 – Correspondence

There were no correspondence items in the packet that required Board response.

It was noted that the peer review rules change was included in this section; Ms. Brewer-Tarver stated that this topic was addressed at the regional meeting.

The AICPA drop list was also included; the Board noted that an Alaska firm was on the list and wanted to be sure that the issue had been forwarded to investigations. The Board also wanted to double check that all past notifications had been forwarded.

The Board thought that maybe NASBA should be contacted about licensing fund sweeps to see if they had any thoughts or experience with this topic.

Agenda Item 17 – Administrative Business

Confirm Upcoming Meeting Dates/Locations

- November 7-8, 2019 in Anchorage
- February 3-4, 2020 in Juneau (if active legislation)
- May 2020? – dates to be set at November meeting

Task Lists

Karen Brewer-Tarver

- Work on numbered list/cover letter for upcoming legislation with Mr. Cox
- Letter to the Division regarding staffing
- Work on CPE summary for new Board member training
- Update project list excel sheet

Leslie Schmitz

- Work on draft regulation language for continuous testing
- Look at regulations regarding accounting concentration for possible changes for credit earned by testing (CLEP/DANTES, etc.)

Karen Smith

- Review regulation regarding professional references and application form to suggest possible changes for the Board to consider

Cori Hondolero


- Assist as requested with the legislative project
- Send Lynette contact info. for Mr. Cox and Ms. Burson
- Draft letter regarding travel for the Board to review
- Request Mr. Barrier (NIES/NASBA) participate at a future meeting to answer education questions for the Board

Upon a motion duly made by Mr. Hogue seconded by Mr. Tegeler, and approved unanimously, it was:

RESOLVED to adjourn the meeting.

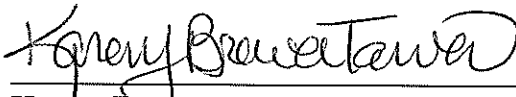
There being no further business, the meeting adjourned at 2:48 p.m.

Respectfully Submitted:



Cori Hondolero
Executive Administrator

Approved:



Karen Brewer-Tarver, Chair
Alaska Board of Public Accountancy

Date: 11/7/19