

Annual Report
Fiscal Year 2015

ALASKA STATE
BOARD OF PUBLIC ACCOUNTANCY

July 2015



DIVISION OF CORPORATIONS, BUSINESS
AND PROFESSIONAL LICENSING

This Annual Performance Report is presented in accordance with Alaska Statute 08.01.070(1) and Alaska Statute 37.07.080(b). Its purpose is to report the accomplishments, activities, and the past and present needs of the licensing program.

**ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY
FY 2015 ANNUAL REPORT**

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ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY
FY 2015 ANNUAL REPORT
IDENTIFICATION OF BOARD

<u>Board Member</u>	<u>Date Appointed</u>	<u>Term Expires</u>
Jeffrey L. Johnson, CPA/PA	March 1, 2011	March 1, 2019
Leslie Schmitz, CPA/PA	March 1, 2014	March 1, 2018
Andre Horton, Public	March 1, 2011	March 1, 2019
Karen Brewer-Tarver, CPA/PA	March 1, 2012	March 1, 2016
Wayne Don, Public	March 1, 2012	March 1, 2016
Donovan Rulien II, CPA/PA	March 1, 2013	March 1, 2017
Craig Chapman, CPA/PA	March 1, 2013	March 1, 2017

ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY
FY 2015 ANNUAL REPORT
IDENTIFICATION OF STAFF

Cori Hondolero, Executive Administrator

Department of Commerce Community and Economic Development
Division of Corporations, Business and Professional Licensing
550 West 7th Avenue, Suite 1500
Anchorage, AK 99501-3567
Work: (907) 269-4712
Fax: (907) 269-8156

Al Kennedy, Investigator

Department of Commerce Community and Economic Development
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ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY
FY 2015 ANNUAL REPORT
NARRATIVE STATEMENT

The Board continued with its normal business activities of reviewing and approving applications and supporting documents to license Certified Public Accountants, reviewing and approving applications for reinstatements and Out-of-State permits to practice, approving candidates to sit for the Uniform CPA Examination, and auditing CPE. Disciplinary matters were dealt with in accordance to Alaska State statutes and all regulatory matters were accomplished following established procedures.

Some of the significant issues arising in fiscal year 2015 were:

- At the close of FY15 there are still two pending CPE compliance cases from the 2013 renewal. This was a significant reduction of the backlog of cases the board was working on from the last renewal cycle.
- The Board reviewed and recommended fee increases for the 2015 renewals. Based on current budget information and projections, additional fee increases are likely to be required before the 2017 renewal. The Board fee increase recommendations were lower than those proposed by the Division as the Board unanimously agreed that the best solution for the replenishment of the Board's 'equity' would be over two to three renewal cycles rather than all at once.
- The Board approved CPAES (exam) contract fee return was in effect for all of FY15. This resulted in additional income to the board.
- The Board identified statutes and regulations that it would like to review during FY15 and reached out to the State Society of CPAs to gauge better how Alaskan CPA's view changes occurring at the national level and within the profession. Analysis was done comparing Alaska's statutes and regulations with the most recent Uniform Accountancy Act and Professional Code of Conduct issued by the American Institute of CPA's to identify and review areas where Alaska varied from these guidelines. At the close of FY15, the adopted regulation changes are still with the Division waiting for Dept. of law review and forwarding to the Lieutenant Governor's office for final review. This work will continue in FY16.

Submitted by Karen Brewer-Tarver, Chair
For Fiscal Year Ended June 30, 2015

ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY

FY 2015 ANNUAL REPORT

BUDGET RECOMMENDATIONS FOR FY 2016

TRAVEL REQUESTS: Rank in order of the board’s priority. Provide the best estimates based on past actuals and seasonal trends in travel, such as summer hotel rooms or increased fuel costs. Calculate on full costs and note any third-party fiscal offsets. Expand the tables below as needed.

Board Meetings

Date	Location	# of Board Members	# of Staff	Total Estimated Cost <small>(total of airline, hotel, mileage, M&IE, parking, rental car, taxi, etc.)</small>
7/2015	Fairbanks	7	1	\$7000.00
11/2015	Anchorage	7	1	\$3000.00
2/2016	Juneau	7	1	\$6400.00
5/2016	Anchorage	7	1	\$3000.00

Travel Required to Perform Examinations

Date	Location	# of Board Members	# of Staff	Total Estimated Cost <small>(total of airline, hotel, mileage, M&IE, parking, rental car, taxi, etc.)</small>
7/2015	Fairbanks	2-7	1	Visit usually conducted in conjunction with Board meeting
Description of meeting and its role in supporting the mission of the board: Board conducts site visits in conjunction with Board meetings or as necessary. Unannounced visits are completed to assure that the test site is meeting all accommodation and security requirements.				
11/2015 &/or 5/2016	Anchorage	2-7	1	Visit usually conducted in conjunction with Board meeting
Description of meeting and its role in supporting the mission of the board: Board conducts site visits in conjunction with Board meetings or as necessary. Unannounced visits are completed to assure that the test site is meeting all accommodation and security requirements.				

Out-Of-State Meetings and Additional In-State Travel

Rank in order of the board’s priority. “Reimbursement” refers to payment to the division to cover travel costs. “Direct” refers to an offer by a company to secure travel arrangements on behalf of the board member.

Rank	Date	Location	# of Board Members	# of Staff	Total Estimated Cost		Total Potential Third-Party Offset
					<small>(total of airline, hotel, mileage, M&IE, parking, rental car, taxi, etc.)</small>	Conference Fee	<input type="checkbox"/> Reimbursement <input type="checkbox"/> Direct
1	10/2015	Dana Point, CA	3	1	\$11,000.00	\$695.00 per person	0
	Description of meeting and its role in supporting the mission of the board: NASBA annual meeting - Participation required to keep Board up to date with industry standards and national trends.						
2	3/2016	Tucson, AZ	0	1	\$2,500.00	\$695.00	<input type="checkbox"/> Reimbursement <input type="checkbox"/> Direct
	Description of meeting and its role in supporting the mission of the board: NASBA ED/Legal counsel conference – special conference specifically for Board Executive Directors and Investigative/legal staff.						
3	6/2016	Denver, CO	3	1	\$11,000.00	\$695.00 per person	<input checked="" type="checkbox"/> Reimbursement (\$6000.00) <input type="checkbox"/> Direct
	Description of meeting and its role in supporting the mission of the board: NASBA Western Regional Meeting. Participation required to keep the Board up to date with industry standards and national trends. If there are new Board members, they may be eligible for a scholarship for first time attendance at the conference (airfare & hotel reimbursed; conference fee waived).						
4	5/2016	Unknown at this time (within Alaska)	1-2	1	\$3,000.00	0	<input type="checkbox"/> Reimbursement <input type="checkbox"/> Direct
	Description of meeting and its role in supporting the mission of the board: Participation at Alaska Society of CPAs Annual Meeting - Executive Administrator and 1-2 Board members to attend. Necessary to facilitate open communication with stakeholders. Allows the Board to share information regarding current and/or upcoming issues and to answer questions.						

ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY
FY 2015 ANNUAL REPORT
BUDGET RECOMMENDATIONS FOR FY 2016 CONTINUED

NON-TRAVEL BUDGET REQUESTS

Dues/Memberships/Resources/Online Training/Teleconferences/Examination Contracts

Provide details of the budgetary request. Break down into specific events, where applicable.

Product or service: Membership dues – due annually	Provider: NASBA	Cost per event: \$3200.00 *based on last bill
Description of item and its role in supporting the mission of the board: National Association of State Boards of Accountancy (NASBA) is the national association that was established to help enhance the effectiveness of State Boards of accountancy and to help protect the public.		
Product or service: Teleconference	Provider: GCI	Cost per event: \$500.00 est.
Description of item and its role in supporting the mission of the board: Board will hold teleconferences as necessary to complete Board business. Average cost per occurrence includes public noticing as necessary and call in/per line fees. Board will typically need to hold at least 1-2 teleconferences per year.		

Other Items with a Fiscal Impact:

Product or service:	Provider:	Cost per event:
Description of item and its role in supporting the mission of the board:		
Product or service:	Provider:	Cost per event:
Description of item and its role in supporting the mission of the board:		

Summary of FY16 Fiscal Requests

Board Meetings	\$19,400.00
Travel for Exams	*done in conjunction w/mtgs
Out-Of-State and Additional In-State Travel	\$27,500.00
Dues/Memberships/Resources/Online Training/Teleconferences	\$3,700.00
Total Potential Third-Party Offset	(\$6000.00)
Other	0
Total Requested:	\$44,600.00

Additional information:

Be Sure To Check Your Math

ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY
FY 2015 ANNUAL REPORT
ANTICIPATED PROPOSED LEGISLATION FOR FY 2016

Complete one sheet per legislative proposal

Focus Area (Check all that apply)

- Economic Development
- Government Within Our Means
- National Regulatory/Industry Changes
- Enhance Public Protection

1. Subject and Proposed Language (include intent and statutory reference)

AS 08.04.080 – Adoption of rules

The board may adopt rules of professional conduct to establish and maintain a high standard of integrity and dignity in the profession of public accounting. [At least 30 days before the adoption of any rule or amendment, the board shall mail copies of the proposed rule or amendment together with a notice of its effective date to each holder of a license or permit issued under this chapter to the address of the license or permit holder last known to the board.]

2. Explain the benefits the proposed legislation would provide.

This change would remove the requirement that a complete copy of all proposed changes be sent to every licensee. The Board would comply with Division standard; a notice regarding proposed changes with a link to the full document would be sent to all licensees.

3. Explain the consequences, if any, of not implementing the proposed statutory change.

Failure to implement this change will result in continued additional expense for the program. This change would also bring the program in line with Division standards; notice of changes mailed to licensees with a link to where a complete copy of the changes can be viewed.

4. Describe any potential negative impacts of this legislation and how they would be minimized.

None known.

5. Who do you anticipate will support the bill and why? Include municipalities, groups, etc...

It is anticipated that licensees and professional societies will support this cost saving proposal.

6. Who do anticipate will oppose the bill and why?

None known.

7. What other state departments will be affected by this legislation? Have you discussed the impact with the affected departments, and if so who and do they support this bill?

None known.

8. Identify and describe any previous state or federal legislation or similar efforts in other states which affect or relate to this proposal.

None known.

9. Has this bill topic been previously introduced in the legislature? If so, what was the final outcome and why?

Yes – change was made from 60 day notice to 30 day notice.

10. In the event questions should be raised during review of this request, please indicate below which board member should be contacted:

Karen Brewer-Tarver or Jeff Johnson.

ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY
FY 2015 ANNUAL REPORT
ANTICIPATED PROPOSED LEGISLATION FOR FY 2016

Complete one sheet per legislative proposal

Focus Area (Check all that apply)

- Economic Development
- Government Within Our Means
- National Regulatory/Industry Changes
- Enhance Public Protection

*Board is reviewing statutes and regulation changes that will bring Alaska more in line with national trends/the other CPA licensing jurisdictions.

New language is **bold & underlined**

Language proposed to be removed is in brackets []

1. Subject and Proposed Language (include intent and statutory reference)

AS 08.04.110 – Personal requirements

An applicant for a certified public accountant license shall be [at least 19 years of age and] of good moral character.

AS 08.04.120 – Educational and experience requirements

(a) The education and experience requirements for an applicant are a baccalaureate degree or its equivalent conferred by a college or university acceptable to the board and additional semester hours or post-baccalaureate study so that the total educational program includes at least 150 hours, with an accounting concentration or equivalent as determined by the board by regulation to be appropriate, and **one** [two] year[s] of accounting experience satisfactory to the board.

[(b) Notwithstanding (a) of this section, the board may grant a license to an applicant who has

(1) not completed the 150-hour educational program required by (a) of this section if the applicant has received a baccalaureate degree, or its equivalent, before January 1, 2001, from a college or university acceptable to the board, and if the applicant satisfies the other criteria established by the board by regulation for receiving the license; or

(2) completed a baccalaureate degree, or its equivalent, before January 1, 2008, from a college or university acceptable to the board, and additional semester hours of postbaccalaureate study so that the total educational program includes at least 150 hours, and the applicant has three years of accounting experience satisfactory to the board.]

AS 08.04.180 – Prior applicants

[Any applicant who, before April 26, 1960, applied to take an examination for the certificate of certified public accountant, or held a valid license as a public accountant, or was regularly enrolled in a college or correspondence course in accounting, or a person whose registration under this chapter is accepted by the board, shall receive a license when the applicant has met either the requirements of this chapter, or the requirements that were effective at the time the applicant's first application was filed, at the option of the applicant.]

AS 08.04.195 – Reciprocity with other states

(a) Notwithstanding AS 08.04.110 - 08.04.190, the board may issue a license to engage in the practice of public accounting to an applicant who holds a license, or its equivalent, issued by another state if the applicant

(1) passed the Uniform Certified Public Accountant Examination of the American Institute of Certified Public Accountants in order to receive the applicant's initial license from the other state;

(2) has **one** [four] year[s] of experience outside the state in the practice of public accounting or meets equivalent requirements established by the board by regulation; the **one** [four] year[s] must occur after the applicant passes the examination required in (1) of this subsection and within the 10 years immediately preceding the applicant's application under this chapter;

(3) is not the subject of review procedures, disciplinary proceedings, or unresolved complaints related to the applicant's license from another state;

and
(4) is of good moral character.

(b) An applicant for the initial issuance of a license under this section shall list in the application all states where the applicant has applied for or holds a license, or its equivalent, and shall notify the board in writing within 30 days after a denial, revocation, or suspension of a license, or the equivalent, by another state.

(c) The board may by regulation establish the education and continuing education requirements for the issuance of a license under this section.

(d) The board may renew a license issued under this section if the licensee

- (1) maintains all of the licensee's offices as required by AS 08.04.360 - 08.04.380;
- (2) complies with the continuing education requirements established under (c) of this section; and
- (3) complies with the requirements of this chapter.

*The statutes listed below require additional Board review prior to proposed legislation being drafted. The Board will be reviewing these statutes in early FY16.

AS 08.04.240 – Application of partnerships, limited liability companies, and other legal entities for permits

(a) The board shall grant a permit to engage in the practice of public accounting as a partnership to a partnership that applies to the board as a partnership of certified public accountants if the partnership meets the following requirements:

- (1) more than one-half of the ownership of the partnership belongs to certified public accountants of this or another state in good standing;
- (2) an individual who is a certified public accountant or has a practice privilege, who is responsible for supervising attest functions or compilation services in the partnership, and who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the partnership meets the competency requirements established by the board under AS 08.04.423;
- (3) an individual who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the partnership meets the competency requirements established by the board under AS 08.04.423; and
- (4) each partner who is personally engaged in this state in the practice of public accounting as a member of that partnership and whose principal place of business is in this state is a certified public accountant of this state in good standing.

(b) The board shall grant a permit to engage in the practice of public accounting as a corporation to a corporation organized for the practice of public accounting that applies to the board as a corporation of certified public accountants if the corporation meets the following requirements:

- (1) the sole purpose and business of the corporation are to furnish to the public services not inconsistent with this chapter or the regulations adopted under it by the board; however, the corporation may invest its funds in a manner not incompatible with the practice of public accounting;
- (2) at least a simple majority of the shares of the corporation are owned by certified public accountants of this or another state in good standing and the principal officer of the corporation and any officer having authority over the practice of public accounting by the corporation is a certified public accountant of this or another state in good standing;
- (3) an individual who is a certified public accountant or has a practice privilege, who is responsible for supervising attest functions or compilation services in the corporation, and who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the corporation meets the competency requirements established by the board under AS 08.04.423;
- (4) an individual who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the corporation meets the competency requirements established by the board under AS 08.04.423;
- (5) each shareholder or director personally engaged in this state in the practice of public accounting and whose principal place of business is located in this state is a certified public accountant of this state in good standing;
- (6) to facilitate compliance with the provisions of this section relating to the ownership of stock, there is a written agreement binding the corporation or the qualified shareholders to purchase shares offered for sale by, or not under the ownership or effective control of, a qualified shareholder and binding a holder not a qualified shareholder to sell these shares to the corporation or the qualified shareholders; the agreement must be noticed on each certificate of corporate stock; the corporation may purchase any amount of its stock for this purpose, notwithstanding any impairment of capital, so long as one share remains outstanding; and
- (7) the corporation is in compliance with those other regulations pertaining to corporations practicing public accounting in this state that the board may adopt.

(c) Application for a permit under this section shall be made upon the affidavit of a general partner, member, or shareholder who is a certified public accountant of this state in good standing or an individual with a practice privilege. The board shall, in each case, determine whether the applicant is eligible for a permit under this section. A partnership, limited liability company, corporation, or other legal entity that is issued a permit under this section may use the words "certified public accountants" or the abbreviation "CPAs" in connection with the name of the partnership, limited liability company, corporation, or other legal entity. The board shall be notified within one month after the admission or withdrawal of a partner, member, or shareholder from a partnership, limited liability company, corporation, or other legal entity issued a permit under this section.

(d) The board shall grant a permit to engage in the practice of public accounting as a limited liability company to a limited liability company engaged in this state in the practice of public accounting that applies to the board as a limited liability company of certified public accountants if

- (1) the sole purpose and the sole business of the company are to furnish to the public services that are consistent with this chapter or the regulations adopted under this chapter, except that the company may invest its money in a manner that is compatible with the practice of public accounting;
- (2) more than one-half of the ownership of the limited liability company belongs to certified public accountants of this or another state in good standing;
- (3) an individual who is a certified public accountant or has a practice privilege, who is responsible for supervising attest functions or compilation services in the company, and who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the company meets the competency requirements established by the board under AS 08.04.423;
- (4) an individual who signs or authorizes another person to sign an accountant's report on financial statements on behalf of the company meets the competency requirements established by the board under AS 08.04.423; and
- (5) each member personally engaged in this state in the practice of public accounting and whose principal place of business is located in this state is a certified public accountant of this state in good standing.

(e) The board may grant a permit to engage in the practice of public accounting to a legal entity, other than a partnership, corporation, or limited liability company, if the legal entity applies to the board on a form provided by the board and satisfies other application requirements and conditions for the legal entity that are established by the board by regulation to protect the public interest.

(f) An initial permit issued under (a), (b), (d), or (e) of this section lasts for the remainder of the biennial licensing period during which the initial

permit was granted.

- (g) The board shall renew a permit granted under (a), (b), (d), or (e) of this section or a renewal issued under this subsection if
 - (1) the permittee maintains all of the licensee's offices that are located in this state as required by AS 08.04.360 - 08.04.380;
 - (2) each individual who is required by (a), (b), (d), or (e) of this section to be a certified public accountant of this state complies with the continuing education requirements of AS 08.04.425 and the quality review requirements of AS 08.04.426; and
 - (3) the permittee complies with the requirements of this chapter, including the competency requirement of (a)(2) and (3), (b)(3) and (4), and (d)(3) and (4) of this section.
- (h) A partnership holding a permit issued under former AS 08.04.330 - 08.04.340 on June 29, 1980, qualifies for a permit under this section as long as each partner personally engaged in the practice of public accounting in this state holds a license or permit under AS 08.04.661.
- (i) For the purposes of issuing a permit under this section, a partnership, limited liability company, corporation, or other legal entity may include owners who are not certified public accountants if
 - (1) the partnership, corporation, limited liability company, or other legal entity designates a certified public accountant or an individual with practice privileges to be responsible for the proper registration of the entity and identifies the certified public accountant or individual to the board;
 - (2) all of the owners of the partnership, corporation, limited liability company, or other legal entity who are not certified public accountants are active individual participants in the partnership, corporation, limited liability company, or other legal entity, or in an entity affiliated with the partnership, corporation, limited liability company, or other legal entity; and
 - (3) the partnership, corporation, limited liability company, or other legal entity complies with the other requirements that the board may adopt by regulation to protect the public interest as described under AS 08.04.005.
- (j) If the ownership of a partnership, limited liability company, corporation, or other legal entity, after it has received or renewed a permit, does not comply with (i) of this section, the partnership, limited liability company, corporation, or other legal entity shall take corrective action to comply with (i) of this section within a reasonable time after the noncompliance begins. The board shall establish by regulation the criteria to determine what is a reasonable time and may base the regulation on national standards.

AS 08.04.420 – Practice privileges

- (a) Except as limited by (b) of this section, an individual who does not have a license in this state, but who is licensed to practice public accounting in another state and whose principal place of business for the practice of public accounting is in the other state may engage in the practice of public accounting in this state under a practice privilege if the state in which the individual is licensed to practice public accounting
 - (1) requires as a condition of licensure that an individual
 - (A) have at least 150 semester hours of college education, including a baccalaureate or higher degree conferred by a college or university;
 - (B) achieve a passing grade on the Uniform Certified Public Accountant Examination; and
 - (C) possess at least one year of experience, which includes providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills; the experience may be obtained through practice with the government, industry, colleges, universities, or the public; or
 - (2) does not require as a condition of licensure that an individual satisfy the requirements of (1) of this subsection, but the individual's qualifications are substantially equivalent to the requirements of (1) of this subsection; however, for the purposes of this paragraph, the education of an individual who holds a valid license to practice public accounting that is issued by another state before January 1, 2013, and who passes the Uniform Certified Public Accountant Examination before January 1, 2013, is exempt from the education requirement identified in (1)(A) of this subsection.
- (b) Unless the individual is a sole practitioner, if an individual who engages in the practice of public accounting under a practice privilege under (a) of this section performs designated functions for a client whose home office is in this state, the individual may only provide the designated functions through a legal entity that has a permit.
- (c) An individual who may engage in the practice of public accounting in this state under (a) or (b) of this section is not required to provide a notice to the board, to pay a fee to the board, or to submit documentation to the board in order to engage in the practice of public accounting in this state. The person may engage in the practice of public accounting by mail, by telephone, by electronic means, or in person.

AS 04.04.421 - Out-of-state permits and exemptions

- (a) A legal entity that does not have an office in this state, that is authorized to practice public accounting in another state, and that performs designated functions for a client whose home office is located in this state may not engage in the practice of public accounting in this state unless the legal entity has an out-of-state permit. To obtain an out-of-state permit, the legal entity shall submit to the board
 - (1) a written notice on a form provided by the board;
 - (2) the fee required by the board;
 - (3) verification of the current authorization of the legal entity to practice public accounting in the other state; and
 - (4) verification that the legal entity participates in a quality review program comparable to the program required of entities registered under AS 08.04.426.
- (b) A legal entity that performs designated services but not designated functions for a client whose home office is located in this state may engage in the practice of public accounting in this state under an out-of-state exemption if the legal entity
 - (1) does not have an office in this state;
 - (2) is authorized to practice public accounting in another state;
 - (3) performs the designated services through an individual with a practice privilege; and
 - (4) participates in a quality review program comparable to the program required under AS 08.04.426.
- (c) A legal entity that does not have an office in this state, is authorized to practice public accounting in another state, and does not perform designated functions or designated services for a client whose home office is located in this state may engage in the practice of public accounting in this state under an out-of-state exemption if the services that the legal entity performs within the practice of public accounting are performed

- (1) through an individual who has a practice privilege; and
 - (2) only to the extent that the legal entity can lawfully perform the services in the state where the individual with a practice privilege has the individual's principal place of business.
- (d) If the board denies an out-of-state permit to a legal entity under (a) of this section, the board shall provide notice of the denial to the legal entity.
- (e) Notwithstanding AS 08.01.100(b), the board shall establish by regulation the period for which an out-of-state permit authorized by (a) of this section is valid. However, the initial term of an out-of-state permit may not exceed three years. The board may renew an out-of-state permit and shall establish by regulation the terms for and length of a renewal, except that the length of a renewal for an out-of-state permit may not exceed four years.
- (f) A legal entity who may engage in the practice of public accounting under an out-of-state exemption is not required to provide a notice to the board, pay a fee to the board, or submit documentation to the board. The person may engage in the practice of public accounting by mail, by telephone, by electronic means, or in person.
- (g) In this section, "designated service" means
- (1) a review of a financial statement, if the performance of the review is established by the Statements on Standards for Accounting and Review Services; or
 - (2) a compilation service.

AS 08.04.426 – Quality review

- (a) The board may require as a condition for renewal of a license or a permit that the applicant for the renewal undergo a quality review conducted as required by the board by regulation.
- (b) The quality review under (a) of this section must include verification that the reviewing individual meets the competency requirements set out in the professional standards established by the board for the services. In this subsection, "reviewing individual" means the individual who is responsible for supervising and signing off on or authorizing another individual to sign off on attest functions performed by the applicant.
- (c) The board shall adopt the regulations under (a) of this section in a reasonable time before the regulations are scheduled to become effective.
- (d) The regulations adopted under (a) of this section may require that
- (1) an applicant demonstrate that the applicant has undergone a quality review that is a satisfactory equivalent to the quality review under (a) of this section;
 - (2) the quality reviews be subject to supervision by an oversight body established or approved by the board;
 - (3) the quality reviews be operated and the documents be maintained in a manner that is designed to preserve confidentiality; and
 - (4) the board or another person, except for the oversight body authorized by (2) of this subsection, may not access the documents furnished or generated in the course of the quality review.
- (e) An oversight body required by (d)(2) of this section shall
- (1) periodically report to the board on the effectiveness of the quality review program it is supervising; and
 - (2) provide the board with a list of the applicants who have participated in a quality review program that is satisfactory to the board.

AS 08.04.580 – Partnership posing as accountants or auditors

A person may not sign or affix a partnership name to any accounting or financial statement or opinion or report on any accounting or financial statement with any wording indicating that it is a partnership composed of certified public accountants or public accountants or with any wording indicating that the partnership has expert knowledge in accounting or auditing unless the partnership holds a current permit and is practicing under the name on its permit, and its offices in this state for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380, or unless the partnership holds an out-of-state exemption.

AS 08.04.590 - Use of title with corporate name

A person may not sign or affix a corporate name to any accounting or financial statement or opinion or report on any accounting or financial statement with any wording indicating that it is a corporation composed of certified public accountants or public accountants or with any wording indicating that the corporation has expert knowledge in accounting or auditing unless the corporation holds a current permit, it is practicing under the name on the permit, and its offices in this state for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380, or unless the corporation holds an out-of-state exemption.

AS 08.04.595 - Use of title with limited liability company name

A person may not sign or affix a limited liability company name to an accounting or financial statement or opinion or report on an accounting or financial statement with wording indicating that the person is a limited liability company composed of certified public accountants or public accountants or with wording indicating that the company has expert knowledge in accounting or auditing unless the company holds a current permit, it is practicing under the name on the permit, and its offices in this state for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380, or unless the limited liability company holds an out-of-state exemption.

AS 08.04.598 - Use of title with name of other legal entity

A person may not sign or affix the name of a legal entity to an accounting or financial statement or opinion or report on an accounting or financial statement with wording indicating that the person is a legal entity composed of certified public accountants or public accountants or with wording indicating that the legal entity has expert knowledge in accounting or auditing unless the legal entity holds a current permit, it is practicing under the name on the permit, and its offices in this state for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380, or unless the legal entity holds an out-of-state exemption.

AS 08.04.660 – Ownership of accountant's working papers

Statements, records, schedules, working papers, and memoranda made by a certified public accountant or a public accountant incident to or in the course of professional service to a client, except reports submitted to a client, are the property of the accountant, in the absence of an express agreement between the accountant and the client to the contrary. A statement, record, schedule, working paper, or memorandum may not be sold, transferred, or bequeathed to a person other than a partner of the accountant without the consent of the client or the client's personal representative or assignee.

Sec. 08.04.680. Definitions.

(1) "attest function" means

(A) an audit or other engagement, if the performance of the audit or other engagement is established by the Statements on Auditing Standards;

(B) a review of a financial statement, if the performance of the review is established by the Statements on Standards for Accounting and Review Services;

(C) an examination of prospective financial information, if the performance of the examination is established by the Statements on Standards for Attestation Engagements; or

(D) an engagement, if the performance of the engagement is established by the Auditing Standards of the Public Company Accounting Oversight Board;

2. Explain the benefits the proposed legislation would provide.

Changes would bring Alaska more in line with national trends and requirements in other jurisdictions.

3. Explain the consequences, if any, of not implementing the proposed statutory change.

Alaska will be one of the few jurisdictions with outdated initial licensure qualification requirements and outdated practice guidelines for licensees and permit holders compared to other licensing jurisdictions.

4. Describe any potential negative impacts of this legislation and how they would be minimized.

None known.

5. Who do you anticipate will support the bill and why? Include municipalities, groups, etc...

National and state professional associations should support these changes, as they are more consistent with national standards.

6. Who do anticipate will oppose the bill and why?

None known.

7. What other state departments will be affected by this legislation? Have you discussed the impact with the affected departments, and if so who and do they support this bill?

None known.

8. Identify and describe any previous state or federal legislation or similar efforts in other states which affect or relate to this proposal.

None known that relate directly to Alaska.

9. Has this bill topic been previously introduced in the legislature? If so, what was the final outcome and why?

Not recently.

10. In the event questions should be raised during review of this request, please indicate below which board member should be contacted:

Karen Brewer-Tarver or Jeff Johnson

ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY
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ANTICIPATED REGULATIONS FOR FY 2016

*The Board's potential regulation projects will be dependent on legislation being passed.

12 AAC 04.038 - Change will be required if there are changes to AS 08.04.426

12 AAC 04/Article 1 - Board is considering the possibility of adopting the full AICPA code of conduct by reference and repealing individual references listed throughout article 1.

12 AAC 04.165-.175 – Board will need to amend these sections if the change to one year of experience is passed.

12 AAC 04.200 – Remove references to the number of sections.

12 AAC 04.285 – Board will review this language to see if it can be edited to more closely mirror national guidelines.

12 AAC 04/Article 6 – Board will review Article 6 to see if it can be edited to more closely mirror national guidelines.

ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY

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GOALS AND OBJECTIVES FOR FY 2016

Explain the Board's mission: To protect the public interest by insuring that only qualified persons are licensed and appropriate standards of competency and practice are established and enforced.

List the board's FY15 goals and objectives and how they were met:

Goal 1. Monitor legislation, evaluate and review statutory/regulatory changes related to:

- a. General housekeeping to update references/publication dates in the regulations.
- b. Remove partial hour credit for continuing education wording.
- c. Review of UAA through a coordinated effort with the ASCPA for recent changes and identify additional areas where Alaska statutes and regulations differ and evaluate impact of differences.
- d. Review and implement (if needed) sections of the UAA as modified for "attest" functions.
- e. Review the definition of 'practice of public accounting'.
- f. Review license period and renewal cycle.
- g. Complete CPE testing and licensure fee analysis.
- h. Complete a review of firm/licensee renewal forms and processes.
- i. Review requirements for sole proprietorships and firm permits.
- j. Review the Alaska specific ethics continuing education requirement.
- k. Review the requirement for 500 attest hours for licensure.
- l. Review exam services currently accepted by Board for foreign applicants with industry evaluation standards.

During FY15 the Board adopted regulation changes affecting items listed above (a-c, j, k, l). The Board provided fee recommendations to the Division (g). Items (d), (e), (h) and (i) were worked on and work will continue into FY16. Item (f) was analyzed and no action deemed necessary at this time.

Goal 2. Review and evaluate National Association of State Board of Accountancy (NASBA) services.

- a. Continue to monitor NASBA CPA Exam Services (CPAES).
- b. Evaluate and analyze other services offered by NASBA.

The contract was renewed for another year; the Board will review/amend the contract as necessary before each renewal. No substantial changes for FY16.

Goal 3. Ensure Alaska CPA candidates have positive examination opportunities.

- a. Monitor testing experiences by visiting sites and using the post-testing survey for all candidates testing at the Anchorage and Fairbanks sites. Monitor that the surveys are delivered timely.
- b. Follow-up on concerns indicated in the surveys.
- c. Keep the ASCPA and the public abreast of new developments.

The Board reviewed exam surveys at every meeting and conducted test site visits at both Alaska locations. Serious issues are elevated to NASBA and Prometric for follow up as necessary.

Goal 4. Evaluate and address changes in the professional environment to continue to fulfill our mission to protect public interests.

- a. Review new rules proposed by NASBA and the AICPA, for impact on Alaska CPAs and make changes to Alaska statutes and regulations as needed.
- b. Represent Alaska CPA concerns at regional, annual, and special meetings and support NASBA committee participation.
 1. Promote attendance by staff and new Board members at regional, special and annual meetings to provide understanding of current regulatory issues being dealt with at a national level and a state-by-state level.
 2. Promote attendance of continuing Board members at regional and annual meetings to provide input and to obtain information at both national and state levels regarding matters impacting Alaska CPAs.
- c. Mentor executive administrator in developing procedures and goals for timely response to public, CPAs and CPA candidate requests.

The Board participated in national and regional meetings during FY15. The opportunity to participate in these conferences and meetings has allowed the Board the ability to have input in the national regulatory aspect of our profession and provide Board member and staff exceptional educational opportunities. The Board has continued to endeavor to participate in and actively monitor NASBA activities. In doing so, Board members volunteer for NASBA committees and attend NASBA regional, annual and special meetings. During FY15, Jeffrey Johnson participated as a member of Legislative Support Committee and Don Rulien participated as a member of the Uniform Accountancy Act Committee. The Board encourages staff and Board members to participate in NASBA and to attend both regional and annual meetings in order to stay abreast of the quickly changing accounting environment.

The inability of the Board to travel to attend NASBA meetings can be detrimental to the Board and the Board's mission to protect the public. The accounting profession is constantly changing, new laws are implemented and jurisdictions throughout the nation are experiencing a wide

range of issues. By not attending these meetings and conferences, our Board is not able to keep up to the pace of changes regulating the industry.

The Board feels that it is extremely important for its members to attend the regional, national/annual, and special NASBA meetings. These meetings are very informative and educational to Board members and the executive administrator. They are the only practical way for the Board to stay informed on issues regarding how Boards administer their duties, and changes that other Boards are facing. Much of what a Board does is determining the licensure of out-of-state candidates. The conferences provide technical education for new Board members which assist the Board with their duty of protection of the public. These conferences provide the information needed to stay abreast in regard to the ever-changing accounting environment; members are able to interact with NASBA staff and request a wide range of assistance from NASBA for legislative drafting to services that they provide.

The Board also participated at the Alaska Society of CPA's annual meeting in FY15. The Board feels this is an important meeting as it provides an opportunity to provide an update to the Society members as well as learn what issues the Society is addressing on an annual basis.

Goal 5. Work with the Division regarding

- a. Future licensee fee structure; fees must cover monitoring expenses and operating costs while not being cost prohibitive to licensees.
- b. Board and staff travel and participation at NASBA/AICPA meetings including:
 1. Executive Administrator attendance at NASBA annual and regional meetings and the NASBA Executive Director conference.
 2. No less than three (3) Board members will attend the NASBA regional conference and three (3) Board members will attend the annual NASBA meeting.
 3. One Board member and/or the Executive Administrator will attend any special NASBA or AICPA meetings as they arise.
 4. Investigator will attend NASBA ED/Legal counsel conference.
- c. Ongoing improvements and maintenance of the Board website.
- d. Collections of licensee emails for future correspondence and newsletters.
- e. Timely review and resolution of CPE audits.
- f. Obtaining more information with fiscal reports, including personnel and legal costs.

The Board provided the Division with its fee recommendations and additional feedback once a Division proposal was presented (a). The Board was represented at the NASBA annual meeting, the ED conference, and the Regional meeting for the first time in many years (b). At the end of FY15 the Division's new database launched; the Board anticipates the ability to collect e-mail addresses and other information via online renewal in 2015 (c-d). At the close of FY15 there are two outstanding CPE cases from the 2013 renewal; both of these cases are in the hearing process (e). The Division prepared/disbursed additional fiscal information with each quarterly report received by the Board during FY15 (f).

Goal 6. Pursue public awareness of enforcement activities.

- a. Timely update of investigative information and statistics on the Board website.
- b. Interact with the investigative unit regarding consistency and monitoring of cases.
- c. Continue participation with the NASBA Accountancy Licensee Database (ALD).
- d. Executive Administrator to provide enforcement decisions to the general public.

The Board continues to monitor investigative and CPE cases for consistency and timely distribution of notice of actions taken. The executive administrator automatically distributes copies of actions adopted at quarterly Board meetings to the liaison from the Alaska Society of CPAs. Database updates completed during FY15 have enhanced the Boards participation with NASBAs ALD program. PDF versions of Board actions are made available by the executive administrator as they are requested.

List the board's FY16 goals and objectives. Include any strengths, weaknesses, opportunities, and threats, as well as any resources needed:

The Board will review/amend FY16 Goals and Objectives at its July 30-31, 2015 meeting.

In order to join the state in a time of austerity, list the top three areas where the board believes this licensing program could reasonably reduce its costs or services.

1. If the Board's recommendation to amend AS 08.04.080 is completed, there will be a substantial cost savings when mailing out proposed regulation changes.
2. The Board continues to utilize the listserve as a low cost way to communicate with licensees and interested parties. The Board will collect e-mail addresses in the future as an additional way to communicate with licensees. The Board also requests the ability to accept electronic documents as part of the renewal process; this would result in cost savings, as it would reduce staff time and postage cost mailing requests for information back and forth.
3. The Board is making an effort to keep travel costs down whenever possible, by doing things like carpooling during Board meetings and being mindful of start/end times for the meeting; making same day travel possible on at least one day of the meeting.

ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY
FY 2015 ANNUAL REPORT
SUNSET AUDIT RECOMMENDATIONS

Date of last Legislative Audit: FY2013

Board sunset date: June 30, 2012

Audit Recommendation #1:

DCBPL's Director should continue to address deficiencies in the investigative case management system.

Action taken: A task force of investigative staff and IT professionals was formed to identify weaknesses and propose solutions.

Next Steps: Continue to monitor the case management system.

Date completed: Ongoing but some items have been fixed.
