

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

BOARD OF PUBLIC ACCOUNTANCY

MINUTES OF MEETING

February 3-4, 2014

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 February 3-4, 2014 in Juneau Alaska.

Monday, February 3, 2014

Call to Order/Roll Call

The meeting was called to order by Jeffrey Johnson, Chair, at 8:31 a.m. Those present, constituting a quorum of the Board were:

Donovan Rulien II, CPA – Anchorage
Craig Chapman, CPA – Kenai
Jeffrey Johnson, CPA – Fairbanks
Andre Horton – Anchorage
Kathleen Thompson, CPA – Fairbanks
Karen Brewer-Tarver, CPA – Juneau

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

Cori Hondolero, Executive Administrator
Kathy Fagerstrom, Program Coordinator (agenda item #7)
Don Habeger, Director (agenda item #7)
Sara Chambers, Operations Manager (agenda item #7)
Alvin Kennedy, Investigator III (agenda item #8)
Charles Ward, Paralegal (agenda item #9)

Visitors present included:

Rebecca Martin, CPA, representing the Alaska Society of CPAs (ASCPA)
Bernadette Kopyy, representing the Alaska Society of Independent Accountants (ASIA)

Agenda Item 1 – Review Agenda

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

RESOLVED to approve the agenda as written.

Agenda Item 2 – Introduction of NASBA Regional Director

The Board had been notified that Pacific Regional Director Donald Aubrey, CPA was unable to attend the meeting as planned, but would try to reschedule for a future meeting.

Agenda Item 3 – Ethics Report

It was determined that there was nothing to report.

Agenda Item 4 – Review Meeting Minutes

The Board reviewed the minutes of the November 7-8, 2013 meeting.

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

RESOLVED to approve the minutes of the November 7-8, 2013 meeting as written.

Agenda Item 5 – Public Comment

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

Agenda Item 7 – Board Business

Business Licensing/Corporations

Kathy Fagerstrom, Program Coordinator with the Division was present to answer questions about business licensing and corporate registration. Mr. Johnson asked if a corporation was required to obtain a business license once they receive their professional license. Ms. Fagerstrom answered yes; in almost all cases a business license would be required. There are only a few exceptions to this requirement.

The Board would like this information to be included in the letter to new license/permit holders. Ms. Fagerstrom indicated that she would be happy to offer or proof some language for inclusion in the letter.

ED Report

Ms. Hondolero advised the Board that there are still three outstanding files from the 2011 renewal and also provided statistics for the number of lapsed licenses/permits following the 2013 renewal.

Ms. Thompson asked Ms. Hondolero to inquire at the ED conference what other states do to decrease the number of late renewals.

Revenues/Expenditures

The Board reviewed the financial statements that were included in the Board packet. Ms. Brewer-Tarver asked if the Board could get a breakdown of the revenues/expenditures on a monthly basis.

Annual Elections

The Board discussed Board member positions (Chair & Secretary/Treasurer); the starting date for the new appointments would be the May 2014 meeting.

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

RESOLVED to elect Ms. Brewer-Tarver for Chair.

Upon a motion duly made by Ms. Brewer-Tarver, seconded by Ms. Thompson, and approved unanimously, it was:

RESOLVED to elect Mr. Johnson for Secretary/Treasurer.

AK Ethics Issue

The Board discussed the AK specific requirement currently listed in the regulations. Ms. Brewer-Tarver stated that she understood that Sandy Wilson in Fairbanks might have some of the historical information on this topic. Past Board members have indicated that licensees who were found out of compliance in the past had indicated that they didn't know the requirements. The solution was to require that they take a course that covered Alaska statutes/regulations every licensing period. Mr. Rulien indicated that many of the courses seem generic and there is no requirement for how much Alaska statute/regulation review must be embedded in each course.

**Agenda Item 6 - Alaska Society of Certified
Public Accountants (ASCPA)**

Rebecca Martin, was present and addressed the Board.

Ms. Martin noted that there was not much to report, but did want to make sure that courses offered by the AK Society would be accepted to meet the renewal

requirements. Ms. Thompson noted that they are specifically identified as acceptable course in the regulations under 12 AAC 04.360.

Agenda Item 7 – Board Business

House Bill DRAFT

The Board reviewed the draft bill from Representative Thompson's office and noted that it was different than the draft that had been submitted by the Board due to edits from the legal department. Ms. Martin of the AK Society asked if the edits would now exclude experience earned in Legislative Audit. The Board noted that Mr. Johnson would ask about this before the bill is finalized. Ms. Thompson noted that the updates are important and that the bill should be allowed to move forward.

Mr. Chapman noted that it is always good to have a definition. Mr. Rulien stated that sometimes edits can become too complicated and make the whole change harder to follow. Mr. Johnson noted that he would take all the Board comments and pass them on to staff in Representative Thompson's office. Ms. Brewer-Tarver noted that the addition of "for a client" is important.

Director Habeger and Operations manager Sara Chambers joined the meeting.

Revenues/Expenditures

Ms. Chambers passed out a report of the Boards revenues/expenditures that was distributed to the Legislature and available on the Division's website for public viewing.

Ms. Chambers clarified a couple items:

- There were increased investigative costs – these costs are included in direct expenditures
- In house paralegal costs – included under direct/personal services
- Legal includes regulation projects and investigations

Mr. Johnson asked about the indirect costs and the percentage assigned to each Board. Ms. Chambers stated that included in the indirect costs are the Division's costs (Operations Manager, Director, contractual expenses, office staff). The Division is responsible for approximately 84% of the total Department expenses (IT, HR, fiscal, Commissioner's staff). This percentage is based on the position (PCN) count.

Ms. Brewer-Tarver asked if the Board could receive a report of the fines that were generated by the CPE consent agreements. Ms. Chambers stated that this would be possible.

HB187

The Board asked if this bill would affect the revenue stream. Director Habeger stated no; only personal services costs. By changing the funding source investigative costs might go away for the most part. The request in this bill was for 1.8 million in general funds for investigative costs. The Board would still get charged some direct costs.

Travel

3rd party reimbursements; for FY14 the Division is authorized to accept up to \$20k. The Division will be looking to increase this amount.

Ms. Chambers noted that when Board members are traveling on State business, the State should reimburse the Board member and then the State would request reimbursement from NASBA. Board members should not be receiving reimbursement directly from NASBA. Mr. Johnson noted that some members are on committees, which is unrelated to their position with the Board. It was noted that both Mr. Johnson and Mr. Rulien would be traveling to attend committee meetings soon and would file ethics disclosures. Mr. Johnson also noted that the new Board member who will start their term in March 2014 would be eligible for reimbursement for their attendance to their first NASBA meeting.

Ms. Thompson asked how long it is taking the Division to approve travel. Ms. Chambers stated that it typically will take no more than a couple days for In-State travel review and no more than two weeks for Out-of-State travel review. It was noted that Out-of-State travel requires review/approval from the Operations Manager, Director and Deputy Commissioner. The travel request process has been streamlined and typically if approved by the Director, the trip would be approved by the Deputy Commissioner. Director Habeger indicated that he had forwarded the request for Ms. Hondolero to attend the NASBA ED conference to the Deputy Commissioner and would follow up on the request for the Board.

Agenda Item 8 – Investigative Report

Investigator Kennedy called in to the meeting to present his report.

It was noted that there were many more closed investigations than normal. Ms. Hondolero clarified that this was due to licensees who are under mandatory audit answering 'yes' to the professional fitness question(s) on their renewal forms. These are automatically forwarded to investigations for review.

Investigator Kennedy asked the Board if failing a peer review is acceptable. The Board stated that the issue of peer review wouldn't be the only factor; if the CPA was negligent then they would be in violation of AS 08.04.450.

Firm vs. Sole Proprietor

The Board discussed the need to obtain a firm permit. It was noted that the firm permit only needs to be obtained when there is a corporate entity in place; so if you are signing "XYZ CPAs LLC" then a firm permit is required. If an individual is representing themselves via their individual license (no corporate entity attached), then there is no need to obtain the firm permit.

There was discussion about if a sole proprietor is considered a legal entity. Ms. Hondolero noted that legal entity is defined (AS 08.04.680(8)). Mr. Horton noted that you can be a sole proprietor and a legal entity. Ms. Thompson stated that a sole proprietor can't give the impression that they have an entity status that they do not have.

Agenda Item 9 – CPE Audits

Charles Ward – Division Paralegal was in attendance to discuss pending issues with the Board and to review the fine/penalty matrix with the Board.

Upon a motion duly made by Mr. Rulien, seconded by Ms. Brewer-Tarver, and approved unanimously, it was:

RESOLVED to enter into executive session in accordance with AS 44.62.310(c)(2) and (3), and Alaska Constitutional Rights to Privacy Provisions for the purpose of discussing a consent agreement.

The Board entered executive session at 12:02 p.m.
The Board went back on the record at 12:21 p.m.

The Board recessed for lunch at 12:22 a.m.
The Board resumed the meeting at 1:40 p.m.

Upon a motion duly made by Mr. Horton, seconded by Ms. Brewer-Tarver, and approved unanimously, it was:

RESOLVED to enter into executive session in accordance with AS 44.62.310(c)(2) and (3), and Alaska Constitutional Rights to Privacy Provisions for the purpose of discussing a consent agreement.

The Board entered executive session at 1:45 p.m.
The Board went back on the record at 2:36 p.m.

Upon a motion duly made by Ms. Brewer-Tarver, seconded by Ms. Thompson it was:

RESOLVED to accept the consent agreement for case #2014-000106 as drafted.

	<u>YES</u>	<u>NO</u>
Craig Chapman		X
Jeffrey Johnson	X	
Kathleen Thompson		X
Don Rulien		X
Andre Horton	X	
Karen Brewer-Tarver		X

Upon a motion duly made by Ms. Brewer-Tarver, seconded by Mr. Chapman, and approved unanimously, it was:

RESOLVED to have staff prepare an updated consent agreement for case #2014-000106. The new agreement will access a \$3800 fine for hours lacking on the 2012/2013 renewal and violation of the previous agreement (\$2500.00 from prior case #2012-001022 + \$1300.00 for the duplicate course claimed on the 2013 renewal). It was noted that an additional AK ethics course was taken 1/4/14, so the Board will suspend the \$1300.00 in the new agreement. The Board will also require an additional mandatory audit.

The Board reviewed the CPE fine matrix that was included in the Board packet. Mr. Johnson noted that the Board can alter the matrix, but must maintain consistency when applying conditions/fines to different cases. Ms. Martin (AK Society) noted that it appears from past Board actions that the fines for acts more egregious than a CPE violation, fines were less or completely suspended. Ms. Thompson noted the case being referenced had been reviewed by the Board. Ms. Martin noted that from the public perspective sometimes the Board does not provide detail on the record regarding why they are taking a certain course of action.

Mr. Ward noted that the Board must take action that is legally defensible. Similarly situated files should be treated the same.

Agenda Item 10 – Statute/Regulation Projects

License Period

The Board discussed the possibility of altering the license period. There was discussion of the addition of a bridge period. With a new expiration date of June 30th of even numbered years, licensees would still renew in December odd

numbered years with the understanding that their CPE would be reviewed prior to renewal of their license.

Ms. Martin (AK Society) noted that their Board did not really like the idea of this possible change, but she would keep talking to them about it.

Mr. Johnson asked if the State would have a problem with collecting fees six months prior to renewal of the licenses. The Board directed Ms. Hondolero to discuss renewal processes with other EDs at the March conference and to review other professions within the Division to see how they manage their renewal processes.

Ms. Thompson noted that there may be an issue with shortening of the CPE period because licensees may list courses they 'intend' to take. The possibility of having some sort of grace period was discussed, but then the Board would possibly need to re-clarify the reinstatement requirements. Ms. Thompson also noted that licensees who knew that they would not complete all of their CPE by the required date would need to notify the Board in advance.

Ms. Martin (AK Society) noted that it might be possible to request that all CPE courses be scheduled by a certain date. It was noted that there may be a struggle with multiple dates/deadlines.

Retired/Inactive

No new information on this issue.

IFRS

No new information on this issue.

Agenda Item 11 – NASBA Updates

CPAES

It was noted that updated exam fees were listed in the correspondence section of the Board packet.

ALD

Ms. Hondolero reported that she had met with the IT manager and Ms. Chambers. Due to the pending database update, it was determined that it would not be the best use of resources to spend time updating a database that is in the process of being replaced. The Division is hopeful that the new database will be available by the end of 2014.

The Board noted that they would like Ms. Hondolero to confirm with investigations how issues are reported to NASBA/ALD. If they are not automatically being reported by investigative staff, they Board would like Ms.

Hondolero to send NASBA/ALD copies of the agreements that are adopted by the Board.

Committees

Mr. Johnson – Legislative Support Committee – noted that he would be attending a meeting at the end of March.

Ms. Thompson –ALD/CPAverify committee – noted that she had participated in a teleconference in December and would be participating in another teleconference in February. Ms. Thompson also noted that 45 States/jurisdictions are now participating.

Mr. Rulien –Uniform Accountancy Act (UAA) committee – noted that he would be attending a meeting in February.

Conferences

ED/Legal counsel conference (March 2014) – Ms. Hondolero sent in request for approval on January 16, 2014; as of the date of the meeting no response had been received.

Western Regional meeting (June 2014) – New member who could attend and they would be eligible to request a scholarship for first time meeting attendance.

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

RESOLVED to send the following Board members/staff to the Western Regional meeting in June 2014:

- Karen Brewer-Tarver
- New Board Member (request scholarship)
- Cori Hondolero

Annual Meeting (November 2014) – Mr. Chapman indicated that he would be interested in attending.

Agenda Item 12 – CPA Exam

The Board reviewed the exam surveys that were in the Board packets. There was a response from the 2013 July-September window that was not received until December 2013. The exam candidate noted that they had rescheduled a test date online and were not notified that their request to reschedule was not completed until they received an e-mail reminder of the day of the test (original test date).

The Board would like Ms. Hondolero to follow up on this questionnaire with Prometric/NASBA.

Agenda Item 13 – Correspondence

The Board reviewed the correspondence items contained in the Board packet.

Item 12 – Letter from Wilson & Wilson CPAs in Fairbanks indicating that they had not received a response to a letter written in May 2013 to CalCPA. Mr. Johnson requested that Ms. Hondolero draft a letter to the AK Society on this matter.

Agenda Item 17 – Application Review

The Board started application review and took the following action:

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

RESOLVED to approve Christina Peck’s application to sit the CPA exam.

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

RESOLVED to approve the Out-of-State Permit applications of PricewaterhouseCoopers LLP (Canada), Vine Dahlen PLLC and Vonderharr Wagner Associates.

Upon a motion duly made by Mr. Rulien seconded by Ms. Brewer-Tarver and approved unanimously, it was:

RESOLVED to approve the firm permits for: BDO USA, LLP and Jay M. Johnson, LLC.

The meeting was recessed at 4:58 p.m., until Tuesday, February 4, 2014.

Tuesday, February 4, 2014

Call to Order/Roll Call

The meeting was called to order by Jeffrey Johnson, Chair, at 7:35 a.m. Those present, constituting a quorum of the Board were:

Donovan Rulien II, CPA – Anchorage
Craig Chapman, CPA – Kenai

Jeffrey Johnson, CPA – Fairbanks
Andre Horton – Anchorage
Kathleen Thompson, CPA – Fairbanks
Karen Brewer-Tarver, CPA – Juneau

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

Cori Hondolero, Executive Administrator

Visitors present included:

Bernadette Koppy, representing the Alaska Society of Independent Accountants (ASIA)

Agenda Item 14 – Review Agenda

Reviewed; no updates required.

Agenda Item 15 – Public Comment

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

Agenda Item 17 – Application Review

The Board requested that the Out-of-State permit application be amended as follows:

- Add notice of peer review requirements
- Remove CPE question from the license verification page

Upon a motion duly made by Ms. Thompson seconded by Ms. Brewer-Tarver, and approved unanimously, it was:

RESOLVED to approve the Out-of-State Permit application of Teuscher Ruf & Walpole LLC.

The Board reviewed the renewal application for license #1659. It was noted that the licensee did not submit the renewal form until all CPE was complete and also provided a written explanation. It was noted that an agreement would be required, but it would be non-disciplinary because the licensee self-reported. The Board also clarified that there would be no fine for falsification and the fine for missing CPE would be suspended, pending future compliance with the consent agreement.

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

RESOLVED to have a non-disciplinary consent agreement drafted for license #1659 due to CPE being completed after the close of the licensing period.

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

RESOLVED to correct the case # for Barry McLaughlin; case #2013-002329 is the corrected case #.

Upon a motion duly made by Mr. Rulien seconded by Ms. Brewer-Tarver, and approved unanimously, it was:

RESOLVED to approve the reinstatement applications of Celeste Calhoun, Elena Paduraru, Yohtaro Izumi and Barbara Rolfe.

Upon a motion duly made by Ms. Brewer-Tarver seconded by Mr. Chapman, and approved unanimously, it was:

RESOLVED to approve Zaur Abishev, Erin Austin, Ryan Beason, Michelle Dellacroce, Jeffrey Jackson, William Jackson, Yi Tak Kwok, Kimberly Lehman, Jason Levin, Megan Metcalf, Stephanie Musgrove, Dylan Prosser, Jake Sallander, Alexander Telepov and Donald Vieira for licensure by exam.

Agenda Item 16 – CPE Audits

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

RESOLVED to approve the audit of license #2274 pending verification of training dates.

Upon a motion duly made by Mr. Chapman seconded by Ms. Brewer-Tarver and approved unanimously, it was:

RESOLVED to approve the CPE documents for the 2012/2013 mandatory audit submitted by:

- Robert Maloney #389
- N. Diane Fejes #736
- Ronald Olson #845

- Christopher Robb #876
- John Rush #923
- Deborah Kalakis #933
- Jerry Baker #1007
- Ronald Alban #1048
- Barry McLaughlin #1068
- Helen Shomberg #1133
- Kevin Kerr #1191
- James Stouffer #1233
- Priscilla Horner #1280
- Janice Heikkila-Walker #1285
- Nancy Adams #1327
- Sharon White #1510
- Jerald Johnson #1539
- Traci Weiland #1559
- Karl Swanson #1599
- Maureen Gannon #1619
- Joyce Herr #1633
- Susanne Skaggs #1675
- Barry Moring #1763
- Carolann Stroup #1771
- Paul Moyes #1807
- Darlene Dotzler #1935
- Yasuhiro Nakajima #1977
- Lynne Gummo #2077
- Koji Urano #2145
- Minjie Tang #2199
- Natalia Stanfield #2204
- Julie Desimone #2208
- Philip Emmons #2224
- Ricardo Orduna #2255
- Julia Clymer #2259
- Ran Xu #2284
- Guowei Yin #2286
- Tin Yun James Cheng #2311
- Joseph Eve #2342
- Janiese Stevens #2360
- Zouhair Tahri #2406
- Shiming Chen #2417

Agenda Item 18 – Administrative Business

Confirm Upcoming Meeting Dates/Locations

- May 1-2, 2014 in Anchorage *2 full days if necessary
- August 7-8, 2014 in Fairbanks
- November 13-14, 2014 in Anchorage

Items For Next Meeting:

- Keep UAA updates on February 2014 agenda

Sign Wall Certificates

- Alexandr Nazarkulov #2291
- Carmen Jackson #2685
- Alyssa Neubauer #2686
- Pelagia Kaza #2687
- Nargiz Hasanova #2688
- Xinghua Wang #2689
- Scott Edwards #2690
- Junrong Huang #2691
- Sheila Hill #2692
- Sharmila Krishnan #2693
- Douglas Charley Jr. #2694
- Aizhan Zainelova #2695
- Emin Mammadov #2696
- Shusuke Takeuchi #2697
- Aurelie Denis #2698
- Gunel Mammadova #2699

Task Lists

Cori Hondolero:

- Draft letter to AK Society re: Wilson & Wilson CPAs/CalCPA
- Have investigator Kennedy be prepared to talk about investigative fines, how they are calculated and any history at the May 2014 meeting.
- CPAES – exam fees contract; follow up with Sara to make sure contact reflects updated fees that are now in regulation.
- Update Out-of-State permit application.
- Work with Ms. Fagerstrom regarding language that can be added to the new licensee letter regarding compliance with the business licensing/corporations section requirements.
- Talk to Don or Sara about the possibility of altering the renewal date/process.
- Review history or what other professions do for requirement for immediate reinstatement after being lapsed one day vs. the 60 days currently listed in the Boards regulations.
- ALD reporting – follow up to see how this is being done. If it is not being done, see about reporting directly to NASBA/ALD program staff.
- License action list is still not updated on the Boards website; follow up again to see what can be done.
- Contact Prometric (or NASBA) to clarify what the process is for exam rescheduling. Do exam candidates receive immediate notification when they change an exam date?
- Request monthly breakdown of revenues/expenditures.

- Request list of fines received from CPE cases.

ALL Board members:

- Review regulations; come up with a bulleted list (at least 5 items) of important issues.

Jeff Johnson

- Talk to Sandy Wilson re: peer review/CalCPA.

Karen Brewer-Tarver:

- Create template for CPE case history tracking (leftover from November 2013).
- Talk to Max Mertz re: AK ethics requirement.

Donovan Rulien:

- 1 page summary outlining the differences between the UAA and Alaska statutes/regulations (leftover from November 2013).


There being no further business, the meeting adjourned at 11:16 a.m.

Respectfully Submitted:



Cori Hondolero
Executive Administrator

Approved:



Jeffrey L. Johnson, Chair
Alaska Board of Public Accountancy

Date: 5/1/14