

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

BOARD OF PUBLIC ACCOUNTANCY

MINUTES OF MEETING

May 7-8, 2015

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 May 7-8, 2015 in Anchorage Alaska.

Thursday, May 7, 2015

Call to Order/Roll Call

The meeting was called to order by Karen Brewer-Tarver, Chair, at 8:30 a.m. Those present, constituting a quorum of the Board were:

Donovan Rulien II, CPA – Anchorage
Jeffrey Johnson, CPA – Fairbanks
Karen Brewer-Tarver, CPA – Juneau
Craig Chapman, CPA – Kenai
Andre Horton, Public member – Anchorage
Leslie Schmitz, CPA – Anchorage

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

Cori Hondolero, Executive Administrator
Janey Hovenden, Director (agenda item #7)
Sara Chambers, Operations Manager (agenda item #7)
Martha Hewlett, Administrative Officer II (agenda item #7)
Alvin Kennedy, Investigator III (agenda item #8)

Visitors present included:

Ed Jolicoeur, representing the National Association of State Boards of Accountancy (NASBA)
Rebecca Martin, CPA, representing the Alaska Society of CPAs (ASCPA)
Bernadette Koppy, representing the Alaska Society of Independent Accountants (ASIA)
Lisa Rogers, representing Rogers & Co, CPA, PC
Rebekkah Beckstead, representing Rogers & Co, CPA, PC

Angelic Menegatos, representing Rogers & Co, CPA, PC

Agenda Item 1 – Review Agenda

Switch items 6 and 7; the Board noted that it would be best to discuss the fee project before meeting with Director Hovenden and Ms. Chambers.

Ms. Hondolero noted that item 11 had been moved to 8:45 am Friday.

Agenda Item 2 – Introduction of NASBA Regional Director

Ed Jolicouer, NASBA Pacific Region Director introduced himself to the Board and provided the following NABSA updates:

- CPA exam – adding an additional 10 days to the end of the May window
- CPA exam – allow for retesting within the same test window
- DOL referrals – expecting a derogatory report regarding ERISA audits. There may be a reported fail rate of 40%. The AICPA will provide help by reviewing DOL referrals and is guaranteeing an 8 month turnaround time.
- International pathways to licensure – possible proposal to have a unilateral pathway for international applicants.
- For profit universities – reviewing the quality, content, etc. these universities offer credit for things like life experience.

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 most recent meeting.

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

RESOLVED to approve the minutes of the February 9-10, 2015 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

ED Report

Ms. Hondolero reported the following:

- 2013 CPE case update
 - 3 cases currently in the hearing process
 - 2 surrenders and a default revocation for Board review (day 2)
 - ALJ Frederick will meet with the Board (day 2)
- NASBA ED/legal counsel conference
 - Hondolero & Kennedy attended
 - State societies participated for the first time
 - NASBA can assist with CPE tracking if the Board wants
 - Discussion at conference about attracting new people to the profession
 - The Board requested sample Public Service Announcements (PSAs) from NASBA.

Fees

The Board reviewed the recommendations that had been forwarded to the Division and the Division's response and proposal. It was noted that the Division was proposing increases above what was recommended by the Board.

Mr. Chapman asked if it would be helpful if he spoke with Commissioner Hladick. The Board indicated that they would try to work with the Division first, but may end up requesting this communication later.

Janey Hovenden, Director, Sara Chambers, Operations Manager and Martha Hewlett, Admin Officer were present to discuss the following issues:

Revenues/Expenditures

Ms. Hewlett went over the 3rd quarter revenue/expenditure report with the Board and noted that final FY15 direct expenses may come in lower than FY14. Mr. Johnson indicated that based on $\frac{3}{4}$ of the year, final expense projections for FY15 should be around \$300k.

Fees

Ms. Chambers outlined the fee proposal that had been sent out to Board members. She requested that the Board review and discuss and then provide feedback on the record.

Ms. Brewer-Tarver stated that the 10% adjusted cost annual increase was too high and that the proposal that the Board had provided allowed for inflation. Ms. Chambers responded that the Division tries to bring a conservative estimate and that the Legislature frowns on Boards ending the fiscal year in a deficit

position and that even if the Division was to proceed with its proposal as is, the 2016/2017 license period would still end in a deficit position.

Mr. Chapman asked about the 3rd quarter report; there is no balance of the cumulative deficit – it appears there needs to be a \$90k adjustment. Mr. Rulien noted that the Board prepared proposal is based on analysis of hard numbers not estimates. Ms. Schmitz asked if the Board could receive information on historical inflation amounts.

Ms. Chambers stated that the final decision regarding fees would be up to the Director, but that it may be possible to stair step the increases over multiple renewal periods. The Board inquired about credit for fines collected. Ms. Chambers indicated that in the draft FY16 budget there is new language this will allow fine revenue to be credited back to licensing programs in the future, but nothing could be done about fines collected in the past.

The Board stated that it felt that after the 10 year reconciliation they were placed in an unanticipated deficit position in a short period and that the Board/licensees should not be expected to correct this in such a short period. The Board could have been collecting gradual increases over time vs. facing implementation of extreme increase over 1-2 licensing periods. The Board asked for the excel version of the Division's fee proposal. Ms. Chambers indicated that she would send it to the Board shortly.

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

Rebecca Martin was present and let the Board know about the following AK Society activities:

- New Executive Director – Crista Burson
- Amy Cooper will be the new Board liaison
- Society membership renewal underway (student members are free)
- Annual meeting May 28-29, 2015 in Anchorage
 - New leadership conference – 10 new people signed up to attend
 - Karen will participate during the meeting
 - Panel participant on UAA vs. AK statutes/Regulations
 - General Board activity update

Agenda Item 8 – Investigative Report

Investigator Kennedy was in attendance to present his report. He noted the following items:

- Opened/closed 6 matters
- Sent out 4 complaint packets; has not received any of them back yet

- Enjoyed the NASBA legal counsel conference and thinks that maybe AAG Todd Araujo would also benefit from this training because he handles a majority of the CPA issues that are forwarded to dept. of law

Upon a motion duly made by Mr. Rulien, seconded by Mr. Johnson, 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 an investigative matter.

The Board entered executive session at 11:09 a.m.
The Board went back on the record at 11:26 a.m.

The Board recessed for lunch at 11:30 a.m.
The Board resumed the meeting at 1:30 p.m.

Agenda Item 7 – Board Business

Fees

The Board resumed its fee discussion and reviewed the e-mail and updated proposal sent by Ms. Chambers.

The following were noted by the Board:

- The projected units need modification; times 2 does not make sense
- Starting deficit should be -\$150k
- Fine revenue (\$100k) will not be recognized
- The Board's original proposal recognized the deficit and could be expected to reach a breakeven point by the third renewal, if not before.

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

RESOLVED to increase fees by not more than 25% and to review again before the next renewal to evaluate if an additional increase is necessary.

***this motion did not carry.**

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

RESOLVED to increase fees 20% on the 2016/2017 renewal understanding that the 2018/2019 renewal will require an

additional fee increase to recoup any deficit over a four year period.

Agenda Item 9 – NASBA Updates

Conferences

Western Regional, June 2015 - Ms. Hondolero and Ms. Brewer-Tarver already scheduled to attend. Mr. Rulien noted that he may have a conflict and would let the Board know. Ms. Schmitz indicated that she would attend if Mr. Rulien could not make it.

Committees

Mr. Johnson – Legislative Support Committee – there was a teleconference in March; they discussed audit quality and cooperative enforcement. Ms. Brewer-Tarver noted it would be helpful to understand how the State Society uses peer review reports.

Mr. Rulien – Uniform Accountancy Act (UAA) committee – there was a face-to-face meeting in April in New York. A list of questions/answers regarding inactive/retired was reviewed. Without an active license, you can't do anything; can't give advice or sit on a Board. There was discussion about changing this to allow retired/inactive to sit on a Board, but not give financial advice.

Agenda Item 10 – CPA Exam Surveys

The Board reviewed the surveys that had been received and noted that the negative comments received this time were from the Anchorage test site. Mr. Chapman indicated it would be good to receive a response about the comments from the Anchorage test site.

Agenda Item 12 – Regulation Projects

The Board reviewed the public comments that had been received on the project that had gone out for public comment. It was noted that the AICPA suggests blanket adoption of the code of conduct and corrected some dates that were incorrectly listed in the project.

Upon a motion duly made by Mr. Horton, seconded by Mr. Rulien, 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 regulations.

The Board entered executive session at 3:22 p.m.
The Board went back on the record at 3:35 p.m.

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

**RESOLVED to adopt changes to the regulations as public
noticed for the following sections:**

- 12 AAC 04.010
- 12 AAC 04.030
- 12 AAC 04.100
- 12 AAC 04.165
- 12 AAC 04.175
- 12 AAC 04.181
- 12 AAC 04.185
- 12 AAC 04.200
- 12 AAC 04.300
- 12 AAC 04.310
- 12 AAC 04.350
- 12 AAC 04.520
- 12 AAC 04.530
- 12 AAC 04.600
- 12 AAC 04.610
- 12 AAC 04.620
- 12 AAC 04.690
- 12 AAC 04.990

Mr. Chapman stated that he does not want to remove the attest hours required for licensure. He does understand obtaining these hours can be a hardship for some people, but feels it is in an integral part of becoming a CPA. Ms. Brewer-Tarver noted that if this change is adopted many tax preparers may pursue licensure and will then be regulated with CPE requirements and oversight. Mr. Johnson added that you would not become an auditor with only the 500 hours anyway; peer review is what protects the public.

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

**RESOLVED to adopt the change to 12 AAC 04.183 as public
noticed.**

| | <u>YES</u> | <u>NO</u> |
|-----------------|------------|-----------|
| Donovan Rulien | X | |
| Jeffrey Johnson | X | |
| Leslie Schmitz | X | |

| | | |
|---------------------|---|---|
| Craig Chapman | | X |
| Andre Horton | X | |
| Karen Brewer-Tarver | X | |

The Board reviewed section 12 AAC 04.038; AICPA had noted that incorrect dates were referenced. All December 15, 2014 dates in this section need to be changed to the correct date of June 1, 2015.

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

RESOLVED to adopt changes to regulation 12 AAC 04.038 with the June 1, 2015 update.

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

RESOLVED to adopt the change to 12 AAC 04.180(b) as public noticed. 12 AAC 04.180(a) is adopted clarifying edits and will now read:

(a) An applicant for initial issuance of a license under 12 AAC 04.165 shall show that the applicant has had four years of experience, and an applicant for initial issuance of a license under 12 AAC 04.175 shall show that the applicant has had two years of experience. This experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills all of which was verified by a supervising certified public accountant. This experience would be acceptable if it was gained through employment in government, industry, academia, or public practice.

The Board discussed the statute change(s) required for changing from two years of experience to one year. Ms. Hondolero will work with Mr. Johnson on a draft for the Board to review at the July meeting.

Agenda Item 11 – Correspondence

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

It was noted that there was an article in the February 2015 State Board report on marijuana and how it affects 'good moral character.' The Board discussed the fact that there may be an adverse effect on AK CPAs seeking mobility with other

jurisdictions; other jurisdictions may view AK CPAs who work with marijuana businesses as performing acts discreditable to the profession.

The Board moved to discussion about the 2015 renewal and how to collect CPE data. The Board discussed amending the renewal application to require CPAs to provide their total CPE hours claimed for each year.

Mr. Johnson asked about collecting dba data on the renewal. Ms. Hondolero stated that she was informed that this would not be possible in the new database. Only corporate entities will be able to be linked to firm licenses in the new database.

The meeting was recessed at 4:46 p.m., until Friday, May 8, 2015.

Friday, May 8, 2015

Call to Order/Roll Call

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

Donovan Rulien II, CPA – Anchorage
Jeffrey Johnson, CPA – Fairbanks
Karen Brewer-Tarver, CPA – Juneau
Craig Chapman, CPA – Kenai
Andre Horton, Public member – Anchorage
Leslie Schmitz, CPA – Anchorage

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 Kopyy, representing the Alaska Society of Independent Accountants (ASIA)
Mikhail Kolodiy, representing Rogers & Co., CPA
Kathy Frederick, representing the Office of Administrative Hearings
Steve Wadleigh, representing Altman, Rogers & Co.

Agenda Item 14 – Review Agenda

There were no changes noted.

Agenda Item 11 – CPE Audit – Hearing Matter

Administrative Law Judge Kathy Fredrick joined the meeting to discuss a hearing matter with the Board.

Upon a motion duly made by Mr. Horton, seconded by Mr. Rulien, 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 CPE matter.

The Board entered executive session at 8:52 a.m.
The Board went back on the record at 9:17 a.m.

The Board asked for clarification regarding what information is available online when a licensee has had license action. Ms. Hondolero indicated that if there is license action, there is a note on the online record that indicates the license has been submit to action and that the Division should be contacted for more information. If someone inquires with the Division, a copy of the agreement is provided. The list of CPA license actions on the Boards webpage is also updated with very basic case information.

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 completed application review and took the following action:

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

RESOLVED to approve Ramya Kollipara's request for exam score extension through the end of the next complete testing window.

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

RESOLVED to approve Gregory Stachowiak to sit for the CPA exam.

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

RESOLVED to approve Sarah Villalon for licensure by exam pending receipt of official transcripts.

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

RESOLVED to approve Vadym Byelik, Cindy Castoe, Sean Hogan, Askar Kantarbayev, Marcus Narvaez, Kenneth Olmstead, Ashvin Patel, Xiaocheng Ruan, Olga Suslova, Kristin Sutton, Adam Sycks, Steve Wadleigh, Ying Xia and Yu Zhang for licensure by exam.

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

RESOLVED to approve William Seymour for licensure by reciprocity.

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

RESOLVED to approve the firm permit of John R. Seagren, CPA, LLC.

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

Resolved to table the reinstatement application of Tatiana Snitsarenko. Letter to be sent to Ms. Snitsarenko requesting a description of the work that she is currently engaging in. Letter must outline active license CPE requirements and request certificates. Working for an accounting firm means that you are in public practice.

| | <u>YES</u> | <u>NO</u> |
|---------------------|------------|-----------|
| Donovan Rulien | X | |
| Jeffrey Johnson | | X |
| Leslie Schmitz | X | |
| Craig Chapman | X | |
| Andre Horton | X | |
| Karen Brewer-Tarver | X | |

There was additional Board discussion and a quick internet search revealed that this licensee is currently working as the director of audit. The Board stated that

the license is engaged in the practice of public accounting and an active license is required.

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

RESOLVED to void the last motion.

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

RESOLVED to deny the reinstatement application of Tatiana Snitsarenko; licensee does not meet the requirements for an inactive license. File to be forwarded to investigations for additional review/follow up.

Agenda Item 16 – CPE Audits

The Board completed CPE file review and took the following action:

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

RESOLVED to adopt the non-disciplinary consent agreement for case #2014-001122.

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

RESOLVED to adopt the voluntary surrender for case #2014-002263.

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

RESOLVED to enter a default order for CPA #2517 (case #2014-002031) in accordance with AS 44.62.530 and the decision and order presented by the Division. This action will revoke the license.

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

RESOLVED to adopt the voluntary surrender for case #2014-002216.

Agenda Item 16 – Administrative Business

Ms. Brewer-Tarver noted that for the next year she will have another obligation and would ask that another Board member take over as Chair of the Board during that time. Once her other obligation is complete, she would open to the idea of returning to the position of Chair of the Board.

The Board will take action on this item at the upcoming July meeting.

Ms. Brewer-Tarver also noted that she would update AK Society members on the following items at their upcoming annual meeting:

- Anticipated upcoming fee changes
- Status of regulation changes
- 1 year vs 2 years of experience requirement
- Inactive/Retired Q&A – outline what can/can't be done

Confirm Upcoming Meeting Dates/Locations

- July 30-31, 2015 in Fairbanks
- November 5-6 in Anchorage; meeting to be held at AK Society office

Sign Wall Certificates

- Jennifer Dorff #2760
- Jonathan Palmer #2761
- Katherine Browne #2762
- Nicole Stevens #2763
- Deborah Wilmoth #2764
- Chelsea Crawley #2765
- Parviz Babazade #2766

Task Lists

Cori Hondolero:

- Request personnel breakdown for every meeting.
- Work on 2 vs 1 year statute/regulation language with Mr. Johnson

Karen Brewer-Tarver:

- Review out of State Exemptions for permits statutes/regulations

Jeff Johnson:

- Work on 2 vs 1 year statute/regulation language with Ms. Hondolero
- Research firm issue

Leslie Schmitz:

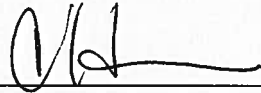
- Provide peer review oversight summary at July Board meeting; work with AK Society

Don Rulien:

- Review UAA definition of attest; AK statute/regulation changes required if adopted.
- Continue to monitor retired/inactive status definitions

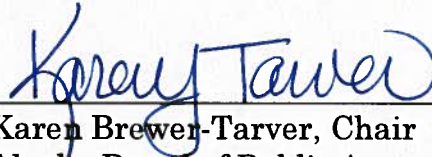
There being no further business, the meeting adjourned at 10:54 a.m.

Respectfully Submitted:



Cori Hondolero
Executive Administrator

Approved:



Karen Brewer-Tarver, Chair
Alaska Board of Public Accountancy

Date: 7/30/15