

Annual Report
Fiscal Year 2008

BOARD OF PUBLIC ACCOUNTANCY

August 2008



**DIVISION OF CORPORATIONS, BUSINESS
AND PROFESSIONAL LICENSING**

BOARD OF PUBLIC ACCOUNTANCY

TABLE OF CONTENTS

	<u>Page</u>
IDENTIFICATION OF BOARD	3-4
MISSION STATEMENT	5
NARRATIVE STATEMENT	6-8
STATISTICAL OVERVIEW	9-11
EXPENDITURE REPORT	12
INVESTIGATIVE UNIT REPORT	13
CONTINUING EDUCATION ENFORCEMENT REPORT	14
SUNSET PERFORMANCE AUDIT REPORT	15
GOALS AND OBJECTIVES – FISCAL YEAR 2007	16
BUDGET RECOMMENDATIONS & TRAVEL REQUESTS	17-18
BOARD RECOMMENDATIONS FOR PROPOSED LEGISLATION	19

BOARD OF PUBLIC ACCOUNTANCY

IDENTIFICATION OF BOARD

	<u>Date Appointed</u>	<u>Reappointed</u>	<u>Term Expires</u>
Max E. Mertz CPA/PA Chairperson Elgee, Rehfeld & Mertz, CPA's LLC 9309 Glacier Hwy., Suite B-200 Juneau, AK 99801 Email: max@ermcpa.com Work: (907) 790-6230 FAX: (907) 789-7128	08/03/2004	01/28/2008	03/01/2012
Christy K. Morse (Resigned) CPA/PA Secretary/Treasurer 2913 Yale Drive Anchorage, AK 99508 Email: cmorse@gci.net Home: (907) 272-6977 FAX: (907) 276-6977	03/14/2005		03/01/2009
Carla J. Bassler CPA/PA 801 West Fireweed Lane, Suite 202 Anchorage, AK 99503-3678 Email: bassler@alaska.net Work: (907) 272-2041 FAX: (907) 272-6241	03/14/2005		03/01/2009
Elaine R. Williamson CPA/PA Kohler Schmitt and Hutchison, PC PO Box 70607 Fairbanks, AK 99707 Email: elaine@kshcpa.com Work: (907) 456-6676 FAX: (907) 456-6431	10/18/2005		03/01/2009
Catherine Wilson (Resigned) Public P.O. Box 156 Tok, AK 99780 Email: flyboyattok@yahoo.com FAX: (907) 883-5512	10/21/2004		03/01/2008

***CALL BEFORE SENDING FAX**

BOARD OF PUBLIC ACCOUNTANCY

IDENTIFICATION OF BOARD CONTINUED

Bruce Gabrys 03/01/2007 03/01/2011
CPA/PA
10229 Baffin Street
Eagle River, AK 99577
Email: bgabrys@mcc-cpa.com
Work: (907)278-8878
Cell: (907)223-6798
FAX: (907)278-5779

Rebecca Jensen 03/01/2007 03/01/2011
Public
P.O. Box 47037
Pedro Bay, AK 99647
Email: becsen@starband.net
Work: (907) 850-2228
Cell: (907) 223-5364

STAFF

Veida Forrest, Licensing Examiner
Department of Commerce Community and
Economic Development
Division of Corporations, Business and
Professional Licensing
P.O. Box 110806
Juneau, AK 99811-0806
Work: (907) 465-3811
Fax: (907) 465-2974

Cori Hondolero, Records and Licensing Supervisor
Department of Commerce Community and
Economic Development
Division of Corporations, Business and
Professional Licensing
P.O. Box 110806
Juneau, AK 99811-0806
Work: (907) 465-3811
Fax: (907) 465-2974

Richard Younkins, Investigative Chief
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) 269-8165
Fax: (907) 269-8195

BOARD OF PUBLIC ACCOUNTANCY

MISSION STATEMENT

***The mission of the
Board of Public Accountancy
is to protect
the public interest
by insuring that
only qualified persons are
licensed
and appropriate standards
of competency and practice
are established
and enforced.***

BOARD OF PUBLIC ACCOUNTANCY

NARRATIVE STATEMENT

**Submitted by Max Mertz, Chair
For Fiscal Year Ended June 30, 2008**

During fiscal year ended June 30, 2008, 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 general 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.

The following is a summary of the progress the Accountancy Board of the State of Alaska made towards its Fiscal Year 2008 goals:

1. Complete adoption of revisions to Alaska regulations reflecting the recent changes in statute
This goal was fully accomplished.

During 2006, HB 274 was passed by the legislature and signed into law by the governor. This would not have been possible without the valuable assistance of Representative Mike Hawker who introduced the legislation and carefully shepherded it through the legislative process.

The statutory changes, which took effect January 1, 2008, were numerous and included changes to: substantial equivalency, interstate reciprocity, and attest experience consistent with other State Board's of Accountancy and the Uniform Accountancy Act. These changes will facilitate entry into the profession, ease of movement for a CPA on assignment in another state, and relocation of a person's CPA license to another state without compromise to competency or disciplinary oversight.

A joint task force of the Board and the Alaska Society of CPA's was formed in May 2006, which included two Board members and five past-presidents of the ASCPA, to re-write the Accountancy regulations in response to HB 274. As part of the task forces efforts it held open meetings in Anchorage, Fairbanks and Juneau that were well attended. The comments received in these meetings were incorporated in the proposed regulations. The task force completed its work in November of 2007 and submitted proposed regulations to the Board of Accountancy for review.

Starting in December 2006 and working through the spring and summer of 2007, the Board worked with the Department's regulations specialist, Mr. Jun Maiquis, and Ms. Gayle Horetski of the Department of Law to discuss, review and approve draft regulations. The board approved the regulations and they were mailed to all licensees as required under the Accountancy statute and written public comment was received until July 17, 2007 and the Board took oral comments at its August 8, 2007 meeting. The Board subsequently adopted the regulations and the Lieutenant Governor signed the regulations in December 2007. They took effect with the new statutes on January 1, 2008.

During the fall of 2007, it became apparent that the revision to the statute contained a flaw. The revised AS 08.04.120 did not allow exam candidates to "grandfather" in the work experience under the old AS 08.04.120 (a)(2). Under that section, applicants who did not have an accounting concentration could meet the experience requirement by getting three years of experience acceptable to the Board as opposed to two years for those who had the accounting concentration.

The "three-year option" was struck from the new version of AS 08.04.120 so there is no longer a non-accounting core path for applicants to get licensed. During the drafting of the new regulations, however, it became apparent that numerous individuals who designed their entry into the profession under the non-accounting core path, who completed their education some time ago, and who are now finished, or nearly finished, with their experience requirements can now not get licensed.

The Board brought this to the attention of Representative Hawker in January 2008, and in response, he drafted HB 379 to correct the flaw and allow for candidates who completed their education prior to January 1, 2008 to continue to have the non-core track. The bill was introduced to the legislature in early February 2008 and, subsequent to hearings, was approved on April 9, 2008. It was transmitted to the Governor and signed into law on May 22, 2008, and became effective on May 30, 2008.

When it became apparent that HB 379 would likely pass, the Board asked the division to draft regulations to implement HB 379 at the earliest possible date. At its April 24-25, 2008 meeting, the Board adopted those regulations.

2. Monitor NASBA CPAES

During 2007, the Board outsourced the processing of its CPA exam application activities to NASBA's CPA Exam Services ("CPAES"). This was done in order to increase consistency and timeliness of processing of candidate exam application and to remove a very time consuming administrative task from our Licensing Examiner so that she could devote that time to more important Board activities.

During 2008, the Board interacted with and inquired of NASBA staff and our Licensing Examiner regarding the implementation of CPAES. Based on that and feedback from various exam candidates, we found CPAES to be fulfilling the Board's goals.

Only one minor issue arose during the implementation. Approximately 7 candidates whose Alaskan candidate numbers conflicted with pre-existing NASBA candidate numbers had difficulty registering for the third quarter 2007 exam window. As relief, at its August 2007 meeting, the Board granted a one-window extension for the expiration of these candidates' exam scores.

3. Ensure Alaska CPA candidates have positive exam opportunities

During 2007, the Board worked very closely with Prometric and NASBA to effectuate changes to CPA testing in Alaska. Prometric upgraded computer hardware, software and procedures at the Anchorage and Fairbanks test sites in order to ensure for the best testing facilities and scheduling opportunities possible.

During 2008, the Board monitored its post-exam questionnaire that is mailed to each candidate in order to monitor the test experience at the Alaska sites. The board reviews the feedback from these at each meeting and is engaging in on-going dialogue with Prometric and NASBA about these results. In addition, the Board visited the Anchorage test site during its April 2008 board meeting (and plans to visit Fairbanks during the August 2008 board meeting).

In general, the Board has found NASBA and Prometric to continue to provide an acceptable, and continually improving, exam experience to Alaska's CPA candidates.

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

The Board has continued to endeavor to participate in and actively monitor NASBA activities. In doing so, we volunteer for NASBA committees and attend (albeit with fewer Board members than

we would prefer to take due to continuing limitations by the State), NASBA regional, Annual and special meetings. During fiscal 2008, Board members attended the Western and Eastern Regional Meetings, the Annual meeting and a special CPA Examination meeting this past spring. In addition, we have encouraged our Licensing Examiner to attend the NASBA Executive Director's Conference and were very pleased that she was able to attend this past year.

The Board continues to monitor developments to the Uniform Accountancy Act (UAA) for implementation areas that are important for Alaskans. One of these areas is commonly referred to "Mobility", which enhances the ability for CPA's to do business in other states while providing Board's of Accountancies greater ability to regulate those CPA's. During 2008, the Board of Accountancy invited NASBA staff to travel to Alaska to present the Mobility concept to the Board (at its November meeting) and members of the Alaska Society of CPA's. Subsequent to this visit, at its January 2008 meeting the Board voted to ask NASBA to prepare a draft of changes to Alaska statutes in order to implement mobility. The board expects to review this draft at its August 2008 meeting. Any future action on Mobility will be taken with input, consultation and advisement from the public, including the Alaska Society of CPA's.

STATISTICAL OVERVIEW FISCAL YEAR 2008

Name of Individual Completing Report: Veida Forrest

Date: July 7, 2008

CATEGORY	NEW – ISSUED DURING FY 2008	TOTAL AS OF 6/30/08	NOTES
A. Current Active Licenses, Permits, Endorsements, Courtesy Licenses, Apprentice/Student Permits, etc. (List type and if issued by examination or credential, as applicable)			
1. CPA by Examination	89	929	Totals for licensure by both examination and reciprocity
2. CPA by Reciprocity	8		
3. Limited Liability Company	5	20	
4. Partnership	1	9	
5. Corporation	2	55	
6. Out-of-State General Permit	21	57	
7. Public Accountant	0	2	This license type is no longer offered
8. Chartered Accountant	0	0	Alaska does not issue this type of license
TOTAL		1072	

B. Current Inactive Licenses
(Only Medical, Dental, CPA, and Real Estate)

1. Certified Public Accountant		262	
TOTAL	0	262	

CATEGORY	NEW – ISSUED DURING FY 2008	TOTAL AS OF 6/30/08	NOTES
----------	-----------------------------	---------------------	-------

C. Retired Licenses

1. N/A			
TOTAL			

D. Disciplined or Conditioned

(Suspended, Revoked, Surrendered, Probation, Limited, Continuing Education Enforcement, etc.)

1. Letter of Reprimand	0	0	
2. Probation	0	3	
3. Revoked	0	2	
4. Suspended	0	1	
3. Fine	3	3	
4. Surrendered	0	1	
5. Accusation	0	0	
6. Stipulation	0	0	
7. Memorandum of Agreement (MOA)	2	5	
8. Non-Disciplinary MOA	0	0	
9. Temporary Cease & Desist	1	1	
TOTAL	6	16	

E. Other action taken during fiscal year for which a fee was required

(License verifications processed, roster requests, name changes, etc.)

TYPE OF ACTION	NUMBER PROCESSED
1. License/Exam Score Verifications	61
2. Certified Copies of Files	0
3. Name Changes	5
4. Roster Requests	0
5. Wall Certificates	43
6. Exam Reviews	0
7. Duplicate License	7
8. Copies of Meeting Tapes	0
9. Board Packets	8
10. Application (Initial) Uniform CPA Exam Approved	Alaska now contracts with NASBA to process CPA Exam Applications
11. Application (Reexamination) Uniform CPA Exam Approved	Alaska now contracts with NASBA to process CPA Exam Applications

F. Examination Dates

(List each examination administration separately. Subdivide if more than one exam is given in administration.)

EXAM TYPE	LOCATION	DATE	CANDIDATES	NO. PASSED	NO. FAILED
*Exam is now computerized					

G. Board Meetings and Teleconferences

DATE	LOCATION <i>(indicate if teleconference)</i>
August 8-9, 2007	Fairbanks
November 8-9, 2007	Anchorage
January 10-11, 2008	Juneau
April 24-25, 2008	Anchorage

BOARD OF PUBLIC ACCOUNTANCY

EXPENDITURE REPORT

The Administrative Manager, for the Division of Corporations, Business and Professional Licensing, will submit the Budget Report for FY 2008 at a later date.

BOARD OF PUBLIC ACCOUNTANCY

INVESTIGATIVE UNIT REPORT

CASE STATUS DURING PERIOD FY 08			
Open at Start	8	Closed During	11
Opened During	9	Open at End	6

TOTALS FOR ACTION TYPE			
Accusation	0	License Surrender	0
Amended Accusation	0	Board Order After Hearing	0
Cease and Desist	2	Dismissed	0
Statement of Issues	5	License Application Denied	5
Amended Statement of Issues	0	License Granted	0
Permit Denied	0	Court Order	0
MOA	1	Permit Granted	0
Amended MOA	0	Reinstated	0
Stipulation	0	Suspension	0
Amended Stipulation	0	Voluntary Suspension	0
Hearing Dismissed	0	Hearing Requested	2

TOTALS FOR DISCIPLINE TYPE			
Fine	1	Reprimand	1
Revocation	0	Probation	1

BOARD OF PUBLIC ACCOUNTANCY
CONTINUING EDUCATION ENFORCEMENT REPORT

Activity Summary – Board of Public Accountancy

CASES OPEN AT START OF FY 2008	CASES ASSIGNED DURING FY 2008	CASES CLOSED DURING FY 2008	CASES MONITORED (MOA'S W/ CONDITIONS)	CASES PENDING AT END OF FY 2008
0	2	0	1	2

Pending Case Summary

Licensee Name	License Type/No	Assigned
Settje, Connie	CPA I 942	5/21/08
Walker, Jane	CPA I 1516	5/21/08

Closed Case Summary

Licensee Name	Assigned	License type/No	Date Complete	COMMENT
Severin, Martin	5/22/06	CPA I 1690	07/13/06	Referred to investigative unit; MOA adopted 8/9/06

BOARD OF PUBLIC ACCOUNTANCY

SUNSET PERFORMANCE AUDIT RECOMMENDATIONS

The Board had its last Audit completed in 2005. The next Audit date is June 30, 2009.

Recommendation No. 1(10/25/2004)

Board of Public Accountancy (BOPA) should continue to be proactive in providing better access to its primary licensing examination – the Uniform Certified Public Accountant Examination (CPA Exam).

The BOPA formed a subcommittee consisting of Max Mertz, CPA to conduct research regarding a Prometric Testing Center opening in Juneau and Fairbanks, Alaska. A test site was opened in July 2005 at the University of Alaska Fairbanks. Due to fiscal constraints a test center opening in Juneau is not feasible at this time.

BOARD OF PUBLIC ACCOUNTANCY

GOAL AND OBJECTIVES – FISCAL YEAR 2009

1. **Review and evaluate statutory/regulatory changes needed to implement the mobility provisions of the Uniform Accountancy Act (UAA).**
2. **Review and evaluate NASBA services**
 - a. Continue to monitor NASBA CPAES services
 - b. Evaluation of additional NASBA services or other providers of services available to the Board.
 - c. Determine whether there are other potential service providers
3. **Ensure Alaska CPA candidates have positive examination opportunities**
 - a. Monitor testing experiences through the use of the post-testing survey for all candidates testing at the Anchorage and Fairbanks sites
 - b. Follow-up on concerns indicated in the surveys
 - 1) Availability of test dates at existing testing sites
 - 2) Interface of test program between testing site computers and Prometric
 - 3) Proper functioning software and hardware
 - 4) Adequate physical testing environment
 - c. Pursue establishment of Juneau test site w/NASBA assistance
 - d. Monitor the development of the renegotiation of the tri-party agreement between the AICPA, NASBA and Prometric.
 - e. Keep the Alaska Society of Certified Public Accountants (ASCPA) and the public abreast of new developments.
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 the PCAOB, NASBA, and the AICPA for impact on Alaska CPAs and make changes to Alaska statutes and regulations as needed
 - b. Continue to review and implement sections of the UAA through a coordinated effort with the ASCPA
 - c. Represent Alaska CPA concerns at regional and annual NASBA meetings and support NASBA committee participation
 - 1) Promote attendance of new Board members at regional and annual meetings to provide understanding of current regulatory issues being dealt with at a national level and state-by-state
 - 2) Promote attendance of continuing Board members at regional and annual meetings to provide input and obtain information at both national and state levels regarding matters impacting Alaska CPAs
5. **Participate in Alaska Society of CPA's Board structure taskforce.**
 - a. Evaluate whether changes should be made to Alaska Statutes to improve the efficacy of the Alaska State Board of Public Accountancy.
 - b. Evaluate and potentially act on the recommendations of the taskforce.
6. **Foster communication and interaction with the Governor**

ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY

FY 2009 BUDGET

Board Meeting Travel AS 08.04.025 requires that the board shall hold a minimum of four board meetings per year. The board holds one meeting in Juneau, one meeting in Fairbanks and the other two meetings in Anchorage. The meetings in Juneau and Fairbanks are important in order to reach as many licensees as possible statewide. Board meetings are one and a half to two days with a full agenda. A portion of the meeting is devoted to dealing with administrative issues such as approving licenses, reinstatements, general permits to practice, auditing continuing professional education, and dealing with correspondence and disciplinary problems. The balance of the meeting is devoted to dealing with the changes in the profession as outlined in the Annual Report. During FY 08 it is expected that board meetings may become more frequent and longer in duration as a result of changes that must be made to Alaska statutes and regulations.

Discretionary Travel -- National Association of State Boards of Accountancy (NASBA) Meetings NASBA, along with the AICPA, establishes national standards for the statutory and regulatory environment for CPA's. Over the past 5 to 10 years NASBA has become much more active as it has responded to the recent accounting scandals. As a result of this activity the statutory and regulatory environment for CPA's has, and continues, to undergo rapid change.

Biannually, the Uniform Accountancy Act, is revised. The companion Model Regulations are also revised on a bi-annual alternating schedule. In addition, NASBA now maintains over 30 active committees covering. These committees cover areas directly affecting Alaska CPA regulation in areas such as the CPA exam, compliance assurance, ethics, continuing education, regulatory structures and strategic initiatives.

Most state boards of accountancy have professional staff, educated and experienced in the industry, who actively engage and participate in both NASBA meetings and committees. Because the Alaska Board has only one part-time staff assigned to it, who is not a CPA or accountant, ***it is absolutely imperative that the Alaska Board actively involve itself in NASBA activities and attend NASBA meetings.*** Members of the Alaska Board have volunteered and participate in NASBA committees and are actively encouraged to attend NASBA meetings.

NASBA has five primary meetings per year. These are the annual meeting (usually held in the fall), two regional meetings (one in the West and one in the East both of which are held in June), the Executive Directors meeting (held in late winter or early spring), and the Legal Staff meeting (held in late winter or early spring). NASBA meetings are well attended by all 54 state and territorial boards of accountancy, with many states sending their full boards. Attendance at the annual meeting or one of the regional meetings should be considered mandatory for every Alaska Board member each year. This is the only effective way for board members to adequately stay informed of the activities of NASBA. It is also very important the Board's licensing Examiner attend the Executive Director's meeting. That meeting is the only effective way for our Licensing Examiner to stay abreast of activities and efforts of NASBA that may affect our Board and all Alaska CPA's.

The board understands and appreciates the administration's goal to reduce the cost of government. NASBA has a scholarship program that will cover the cost of at least one individual from each state to attend its meetings and the administration has allowed such reimbursed travel for the Board of Public Accountancy. ***The board would like to point out that the cost of the board is fully paid by licensees and applicants for the CPA exam.*** Further, the Alaska Society of CPAs (ASCPA), which

represents half of all licensees, is supportive of paying the cost of board travel to meetings. In that regard, we urge you to pay the cost to send two board members to each of the NASBA annual and regional meetings.

BOARD OF PUBLIC ACCOUNTANCY

BOARD RECOMMENDATIONS FOR PROPOSED LEGISLATION

The Board has one recommendation for proposed legislation: to change the length of time noted in AS 08.04.080 from 60 days to 30 days in order to be consistent with the Division standard.



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Sarah Palin, Governor
Emil Notti, Commissioner
Mark Davis, Director

Division of Corporations, Business and Professional Licensing

August 29, 2008

Mr. Mark Davis, Director
Division of Corporations, Business and Professional Licensing
PO Box 110806
Juneau, AK 99811-0806

Dear Mr. Davis:

In compliance with AS 08.01.070, and on behalf of the Board of Public Accountancy, I am submitting the enclosed Fiscal Year 2008 Annual Report. This report summarizes the Board's FY 2008 activities and accomplishments, our goals and objectives for FY 2009, and our budget recommendations and travel requests for FY 2009. Please note, the Board has submitted a request for statutory changes in its FY09 Legislative Recommendations.

Should you have any questions or should you desire any additional information about the contents of the Annual Report, please contact me.

Sincerely,

Max Mertz, CPA
Chairperson
Alaska Board of Public Accountancy

Enclosures