

**STATE OF ALASKA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
DIVISION OF OCCUPATIONAL LICENSING
BOARD OF PUBLIC ACCOUNTANCY**

MINUTES OF MEETING

July 17-18, 2003

By authority of AS 08.04.025 and AS 08.01.070(2), and in compliance with the provisions of AS 44.62, Article 6, a scheduled meeting of the Alaska State Board of Public Accountancy was held on July 17-18, 2003, beginning at 9:00 a.m. The meeting was held in the Butrovich Building, Board of Regents' Conference Room, UAF, Fairbanks, Alaska

Thursday, July 17, 2003

Item 1 Call to Order/Roll Call

The meeting was called to order by Steve Tarola, Chair, at 9:02 a.m.

There were present, constituting a quorum of the board:

Steve Tarola – CPA, Chair
Marjorie Kaiser – CPA
Linda Thomas – CPA
Sandra Wilson - CPA
Laura Welles, Public Member

Dan Kennedy, CPA, had not yet joined the meeting.
Kathleen Shreiber, Public Member, was unable to attend.

In attendance from the Department of Community and Economic Development, Division of Occupational Licensing, was:

Ginger Morton, Licensing Examiner

Members of the public in attendance were:

Leslie Schmitz, representing the Alaska Society of CPAs (ASCPA).
Marty Brantingham, representing the Alaska Society of Independent Accountants (ASIA)

Item 2 Review/Amend Agenda

The agenda was amended as follows:

- Item 19, Investigative Report was moved to 9:30 a.m. following Item 5.
- Items of correspondence from Lisa Rogers and Daniel Wu were added to Item 21, Correspondence.

On a motion made by Marjorie Kaiser, seconded by Sandra Wilson, and approved unanimously, it was

RESOLVED to approve the agenda as amended.

Item 3 Review/Approve Minutes

The March 27-28, 2003 minutes were amended as follows:

- On page 5, Item 8, subsection D, Revisions to Commissions/Contingent Fees (12 AAC 04.100), the sentence was changed to read, “Dean Nelson stated the board would not be moving forward with this proposed change at this time.”
- The spelling of AICPA was corrected from AIICPA at the top of page 6.
- On page 6, Item 10, May 2003 Exam Responsibilities, the first sentence was amended to read, “Steve Tarola and Dean Nelson stated they would be available to lead proctor at the two Anchorage examination sites.”
- The spelling of Shauna Newpher’s name on page 9 was corrected to Shana Newpher.
- Item 18, Administrative Issues, on page 9, the third paragraph was corrected to read, “Following Mr. Urion’s departure from the budget discussion the board wondered...”.

On a motion made by Linda Thomas, seconded by Marjorie Kaiser, and carried unanimously, it was

RESOLVED to approve the March 27-28, 2003 meeting minutes as amended.

Item 5 Congratulations to Sandy Wilson, new NASBA Pacific Region Director

The board took a few minutes to congratulate Sandy Wilson on her appointment as Regional Director for the Pacific Region.

Dan Kennedy joined the meeting at 9: 15 a.m.

Sandy Wilson spoke briefly on matters addressed at the NASBA Western Regional Meeting in June, which she attended.

She also spoke briefly on what her duties will be as a member of the NASBA Board of Directors.

Item 3 Welcome New Members

The board welcomed new members Laura Welles and Daniel Kennedy. All members introduced themselves and gave a brief history of their careers.

Item 8 NASBA Quarterly Report

The board spent a few minutes discussing the April 25, 2003 NASBA Board of Directors' meeting highlights, the responses submitted to the first quarter focus questions, and the white paper titled, "A Streamlined Approach to Accounting Regulation."

Item 19 Investigative Report

Division investigator, Phil Petrie, joined the meeting by teleconference.

As Mr. Petrie noted there were members of the public in attendance, he recommended the board adjourn into executive session to discuss the investigative report.

On a motion made by Marjorie Kaiser, seconded by Sandra Wilson and carried unanimously, it was

RESOLVED to adjourn into executive session under the authority of AS 44.62.310 for discussion of the investigative report.

The board adjourned into executive session at 9:40 a.m. and returned from executive session at 10:00 a.m.

The board asked the licensing examiner to add to the October agenda, an item regarding positive response. The licensing examiner was also asked to research the regulations of the other state licensing boards to determine if they have positive response language.

Recess *The board recessed at 10:05 a.m. reconvened at 10:10 a.m.*

Item 7 **Public Comment**

Marty Brantingham, representing ASIA, thanked the board for welcoming her to the meeting.

Leslie Schmitz, representing the ASCPA, also thanked the board for welcoming her to the meeting.

Ms. Schmitz told the board there were no real issues the ASCPA needed to discuss with the board, however, there would be at the October meeting.

Public comment closed at 10:15 a.m.

Item 6 **Annual Report**

A. Narrative. The board reviewed the narrative for the FY 2003 Annual Report prepared by Steve Tarola.

Linda Thomas suggested that the history of the computerization of the CPA examination be clarified, as most people are unaware that the change to computer testing is mandatory and has been in process for several years.

Sandra Wilson suggested that in Item 4, the ethics course, the narrative should reflect that the Board of Accountancy is the organization spearheading the move to requiring ethics as a part of continuing education, and is working with the ASCPA in developing an ethics continuing education course.

Linda Thomas also suggested that the board's efforts in streamlining the administrative process should be included in the narrative.

There were other minor revisions to the narrative, which Mr. Tarola indicated he would incorporate and forward to the examiner for inclusion in the final version of the Annual Report.

B. Goals and Objectives for 2003-2004.

The Goals and Objectives were amended to read as follows:

1. Implement Computerized CPA Examination:

A. Amend regulations, policies and procedures to assure that applicants in Alaska have a smooth transition to the new computerized CPA examination beginning in 2004.

B. Assure there is adequate testing capacity for Alaska applicants. Pursue all feasible avenues in an effort to provide testing centers outside of Anchorage in Fairbanks and Juneau.

2. Monitor and React to Changes in Professional Environment for CPAs:

A. Monitor new rules proposed by the Public Company Accounting Oversight Board and the American Institute of Certified Public Accountants for impacts on CPAs. Make changes to Alaska statutes and regulations as required.

B. Continue to educate, study and implement portions of the Uniform Accountancy Act through a coordinated effort with the Alaska Society of Certified Public Accountants.

3. Require an Ethics/Jurisprudence Course:

Revise Alaska regulations to require a periodic ethics/jurisprudence course as part of the continuing education program.

4. Continue Active Involvement with the National Association of State Boards of Accountancy (NASBA):

Attend Regional, Annual and Administrative meetings, participate in NASBA committees and provide input on proposed changes impacting CPAs.

5. Encourage Bringing a NASBA Regional Meeting to Anchorage, Alaska:

Pursue and promote bringing NASBA's June 2005 Western Regional Meeting with its three hundred participants to Anchorage, Alaska.

C. Budget Request for 2004-2005. The board reviewed and discussed the Budget Recommendations as drafted by Steve Tarola. The travel requests were the same as the previous fiscal year.

Item 9 NASBA Regional and Annual Meetings

A. NASBA Western Regional Meeting Summary (June 11-13, 2003)
Sandra Wilson, Laura Welles and Dan Kennedy had attended the Western Regional Meeting in June.

Steve Tarola asked the meeting attendees to speak to the ASCPA at the luncheon scheduled for later in the day on topics of interest from the Regional Meeting. Dan Kennedy indicated he could speak briefly on potential changes to peer review in light of Sarbanes-Oxley, Sandra Wilson said she would give a computerized exam update, and Laura Welles agreed to speak on the change in the make up of the California Board of Accountancy, which now has more public members than CPAs.

B. NASBA 96th Annual Meeting in Maui (October 26-29, 2003)
Steve Tarola, Marjorie Kaiser and Sandra Wilson indicated they would like to attend the Annual Meeting in Maui. The licensing examiner said she would contact NASBA to see if there was funding available to assist with travel expenses, and would prepare travel authorizations for the division's director to review and hopefully approve.

Steve Tarola stated he would draft a memorandum to the division director explaining the importance of the members' attendance at the Annual Meeting.

Recess *The board recessed at 11:40 a.m. to join the ASPCA luncheon, and reconvened at 1:45 p.m.*

Item 11 Review New Statutes for CPA Exam

The board reviewed the final version of the bill passed to allow implementation of the computerized CPA exam.

Item 12 Review/Approve New Regulations (12 AAC 04.190 - .235)

Kurt West, Regulations Specialist, joined the meeting by teleconference.

The board reviewed the regulations drafted to govern the implementation of the computerized CPA exam. Minor changes were made, and the board asked the licensing examiner to schedule a teleconference for July 29th, at which time the board could review the revisions made and direct the regulations specialist to proceed with public noticing.

Item 10 Prometric Discussion

A. Site Capacity

B. Issue of One Testing Site. The board discussed the issue of Alaska having only one examination site for delivery of the computerized CPA exam. The board continues to work toward their goal of assuring there are adequate testing facilities for Alaska candidates.

Leslie Schmitz, ASCPA, indicated that the ASCPA would be contacting David Ginsberg of Prometric regarding providing additional testing sites for Alaska.

C. Contract Provisions. The board reviewed the AICPA/Prometric/NASBA contract and the contract overview prepared by Steve Tarola.

The discussion turned to the Board of Accountancy's web site and Dan Kennedy made the recommendation that the Board's minutes be published on the web site.

The board indicated they would like a chance to preview the changes made to the Board of Accountancy's web site before it goes public.

Item 13 Discuss Potential Future Regulations

A. Uniform Accountancy Act (UAA). Leslie Schmitz, ASCPA, indicated that at the present time the ASCPA is not moving forward with UAA. She indicated she would tell the ASCPA that the Board of Accountancy will not be moving forward with UAA until the ASCPA does, in the hope of spurring action on the ASCPA's part.

The board briefly discussed commissions, substantial equivalency and CPA=CPA.

The examiner was asked to place Division Investigator Phil Petrie on the October meeting agenda to discuss the history of the inactive license and use of the CPA title as referenced in AS 08.04.200.

The board chair also asked that Potential Future Regulations be a continuing agenda item for future meetings.

B. Sarbanes Oxley Act (SOX) Public Company Accounting Oversight Board (PCAOB). The board discussed this briefly and will continue to monitor events and possible impacts on Alaska.

C. Ethics Course as Part of Continuing Education. Former board chair Dean Nelson is working with the ASCPA to develop a continuing education course in ethics. The board is waiting for developments in this area before moving forward with drafting regulations to require continuing education in ethics for license renewal.

The board reviewed a paper provided by the ASCPA listing other state requirements with regard to ethics continuing education.

D. Records Retention. The board asked the examiner to conduct a NASBA Quick Poll to determine if other state boards have addressed record retention of financial statements and related work, and if so what those rules are. This will be an agenda item for the October meeting.

E. AICPA New Peer Review Exposure Draft. This item was discussed briefly, as the AICPA is requesting input.

Item 14

AICPA White Papers

A. Setting Passing Scores.

B. Pre-testing for Revised CPA Exam. The board briefly discussed whether the University of Alaska would be involved in the pre-testing procedure.

On another matter, the board asked the examiner to see what materials are available from the division to assist new board members.

Item 20 Expenditure Report

A. Detailed Analysis. For the benefit of new members, Steve Tarola explained the detailed Expenditure Report he had prepared. Discussed were the differences between direct and indirect expenses, examiner wages, contractual services, travel and per diem.

Item 16 Mail Votes Conducted Between Meetings.

There had been one mail vote conducted since the March 2003 meeting; the application of Alban & Co, P.C. for a resident permit. The application had been approved by mail vote.

The board had questions regarding the “sole purpose” requirement of AS 08.04.240 Registration of Partnerships and Corporations Composed of CPAs, and why a corporation is exempted from that requirement in 12 AAC 04.930(b), which states that if a corporation is incorporated under AS 10.45, then 12 AAC 04.930 does not apply. The board asked the examiner to research this issue and report back at the October meeting.

Item 23 Ratify Out of State Permits

There were no out of state general permits to be ratified.

Item 21 Correspondence

C. Request to Carry Forward Exam Fees. Hideko Nakamura had written to the board asking if she could carry forward her exam fees from the May 2003 CPA exam, which she did not appear for and did not notify the board 30 days' in advance as required, because of medical reasons.

On a motion made by Sandra Wilson, seconded by Marge Kaiser, it was

RESOLVED to allow Hideko Nakamura to carry forward her CPA exam fee from the May 2003 exam to the November 2003 exam.

The motion was not approved unanimously. Votes were cast as follows:

Dan Kennedy – No
Linda Thomas – No
Steve Tarola – Yes
Sandra Wilson – Yes
Marjorie Kaiser – Yes
Laura Welles – Yes

D. Daniel Wu. Mr. Wu had provided a course description for the board's review to determine if it met the requirements for the accounting courses needed to qualify for the CPA exam. All members agreed the course; entitled Financial Statement Analysis Strategies would qualify for purposes of meeting the credit hours needed for the CPA examination.

B. Erica Littler. Ms. Littler had provided a copy of her job description as a Research Grant Administrator, and wanted to know if this work experience would count toward her eventual application for certification in Alaska.

The board reviewed the job description and agreed that the experience would count toward Ms. Littler's work experience requirement for eventual licensure.

E. Lisa Rogers. The board reviewed correspondence between Lisa Rogers, and division investigator Phil Petrie.

Lisa Rogers had written to the board's investigator, Phil Petrie, regarding telephone book listings of CPAs that are not licensed, citing in particular one individual listed as a CPA that had not been licensed in over 10 years.

Mr. Petrie had responded to the correspondence by telling Ms. Rogers that the state does not have the resources to check every advertising medium to verify the status of licenses. He further told Ms. Rogers that anyone considering dealing with a professional for which licensing is required, is encouraged to contact the division to verify licensing and disciplinary status.

Adjourn *The meeting adjourned at 5:00 p.m.*

Friday, July 18, 2003

Item 15 Call to Order/Roll Call

The meeting was called to order by Steve Tarola, Chair, at 8:30 a.m.

There were present, constituting a quorum of the board:

Steve Tarola – CPA, Chair
Sandra Wilson – CPA
Linda Thomas - CPA
Marjorie Kaiser – CPA
Dan Kennedy - CPA
Laura Welles – Public Member

Kathleen Shreiber, Public Member, was unable to attend.

In attendance from the Department of Community and Economic Development, Division of Occupational Licensing, was:

Ginger Morton, Licensing Examiner

Members of the public in attendance were:

Leslie Schmitz, representing the ASCPA.

Item 21 Correspondence
Con't

A. Ed Orazem. Mr. Orazem, a CPA licensed in Alaska, had written to the board wanting to know if he could accept commissions as a broker in conjunction with his CPA title. 12 AAC 04.100 prohibits the acceptance of commissions or contingent fees by a CPA.

There followed an in-depth discussion.

On a motion made by Linda Thomas, seconded by Dan Kennedy, and carried unanimously, it was

RESOLVED to inform Mr. Orazem that it is the opinion of the board that pursuant to 12 AAC 04.100 he cannot use his CPA title in conjunction with his brokerage license, and, therefore, cannot accept commissions.

The board then discussed the duty of licensees to report instances of which they may be aware, where a CPA is accepting commissions because a broker's license is also held.

The board asked the examiner to research the other licensing board's regulations for language addressing a licensee's duty to report unethical or illegal behavior by co-licensees, and add this to the October meeting agenda as a potential regulation project.

**Item 20
con't**

Director Rick Urion's Comments.

Division Director Rick Urion joined the meeting by teleconference at 10:00 a.m.

Mr. Urion discussed the expenditure report with the board. He stated he would have a recommendation for renewal fees for the January 1, 2004 – December 31, 2005 licensing period at the October board meeting.

Board travel was discussed next. The board wondered if travel for FY 2004 would be approved as in the past, and if the state would pay registration fees to meetings if members bear their own travel expenses. Mr. Urion indicated he would consider travel requests as presented and would consider paying registration fees for members paying their own travel expenses.

Mr. Urion then asked the board members if in their opinion it was necessary to have a State Board of Public Accountancy. All members responded with emphatic "yeses."

Recess

The board recessed at 10:35 a.m., reconvened at 10:45 a.m.

In light of Mr. Urion's question of the necessity of the State Board of Public Accountancy, Steve Tarola volunteered to write a memorandum on the board's behalf detailing the importance of maintaining the board.

Item 18

Ethics Reporting

There were no ethics violations to report.

Item 22

Applications

A. Review Procedures for Approving Applications. For the benefit of new board members the review procedures for applications were discussed.

B. Application Review (Work Session). The board reviewed applications for certification, reinstatement and general permits.

C. Board Action.

On a motion made by Sandra Wilson, seconded by Dan Kennedy, and carried unanimously, it was

RESOLVED to approve the following list of applications for certification by exam/experience:

1. April Atherton
2. Jonathan Brewer
3. George Gates
4. Theresa Gibson
5. Marco Hammer
6. Grace Harkness
7. Melissa Hermes
8. Mary Krysinski
9. Sabine Johnson
10. Jodi Neuharth
11. Akiko Shimaoka
12. Tori Weissenberger
13. Heidi Ratledge

On a motion made by Sandra Wilson, seconded by Dan Kennedy, and carried unanimously, it was

RESOLVED to approve the application for certification of Janette Maas pending verification from her employer, Debra Mason, that Ms. Maas is still currently employed full time.

The application for certification by exam/experience of Renee McCulloch was tabled until the division received a completed and signed verification of work experience from Ms. McCulloch's employer.

On a motion made by Sandra Wilson, seconded by Dan Kennedy, and carried unanimously, it was

RESOLVED to approve the application for reinstatement to inactive status of James Nutty.

On a motion made by Sandra Wilson, seconded by Marjorie Kaiser, and carried unanimously, it was

RESOLVED to deny the application for certification by reciprocity of George Oliva pursuant to 12 AAC 04.183(b).

On a motion made by Sandra Wilson, seconded by Dan Kennedy, and carried unanimously, it was

RESOLVED to approve the application for certification by reciprocity of Ronald Morgan.

The application for certification by reciprocity of Willard Irwin was tabled until such time as he passes the current AICPA ethics examination.

The board took no action on the application for certification by reciprocity of James Duffield, which was denied by the board at the January 2003 meeting. Additional verification of Mr. Duffield's public accounting experience had been provided, but the board chose not to act on it.

Item 24 Sign Wall Certificates

The board chair and secretary signed wall certificates.

Item 25 New Business

The board asked that an item "accounting concentration" be placed on the next meeting agenda, in the context of whether or not accredited institutions are bound by the definition of accounting concentration in 12 AAC 04.185.

Dan Kennedy expressed his appreciation to the board, and stated the importance in his view of minimizing the budget as much as possible, suggesting perhaps telephonic meetings.

Dan Kennedy proposed that in a proactive sense, perhaps a letter could be written to all licensees asking them to uphold the highest degree of values and ethical standards. He suggested that perhaps the public could be included in this process so as to minimize the expense to the state.

The board asked that this topic be placed on the next meeting agenda for further discussion.

Adjourn *The board adjourned at 12:30 p.m.*

Respectfully submitted:

Ginger Morton, Licensing Examiner

Approved:

Steven R. Tarola, Chair
Board of Public Accountancy

Date: _____