

MINUTES
IDAHO STATE BOARD OF ACCOUNTANCY
Boise, Idaho
December 3, 2003
REGULAR SESSION

The December 3, 2003 Board Meeting of the Idaho State Board of Accountancy was held in Boise at the Board office. The Regular Session was called to order at 8:47 AM with Chair Larry Bird, CPA presiding. The Board adjourned to Executive Session at 8:55 AM. The Executive Session concluded at 10:02AM, the Regular Session reconvened at 10:08 AM. A lunch break was taken from 12:20 PM to 12:55 PM. The Regular Session immediately resumed. The meeting adjourned at 2:33 PM.

ROLL CALL The following members of the Board were present:
Larry Bird, CPA, Chair
Jim Pilcher, CPA, Vice-Chair
Craig Rasmussen, CPA, Secretary
Bette Jo Berryman, LPA, Treasurer
Kitty Pumphrey, CPA, Past Chair
Lisa Donnelley, CPA, CPA Member

Absent and excused: Don Etter, Public Member

Board Attorney, Larry Hunter Esq., Barbara Porter Executive Director and Sue Lenon Board Secretary were present as Board staff.

Samuel K. Cotterell, CPA Investigative Committee Chair attended portions of the Executive Session. ISCPA Executive Director, Melissa Nelson, and IAPA representative, Linda Trent, CPA, attended portions of the meeting after the Executive Session.

1. CONVENE REGULAR SESSION

(A) Approve Minutes: Mr. Pilcher moved to accept the September 24, 2003 Board Meeting minutes as amended. Ms. Pumphrey seconded. Motion carried.

2. EXECUTIVE SESSION

Larry Bird, Chair, citing *Idaho Code* Section 67-2345 (1)(d) & (f), called for a vote to adjourn to Executive Session. All members of the Board present voted as follows: Larry Bird, yes; Kitty Pumphrey, yes; Bette Jo Berryman, yes; Lisa Donnelley, yes; Jim Pilcher, yes; and Craig Rasmussen, yes. When the Regular Session resumed, the Board addressed the following items from the Executive Session.

(A) Approve Minutes: Mr. Pilcher moved to approve the Executive Session minutes of the September 24, 2003 Board Meeting. Mr. Rasmussen seconded the motion. Motion carried.

(B) Status Report on Complaints: Investigative Committee Chair Sam Cotterell updated the Board on the open dockets. Mr. Rasmussen moved to close dockets 2003-04 and 2003-05. Ms. Pumphrey seconded. Motion carried.

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(C) Status Report on Cease & Desists: CD 2003-09 – A Cease & Desist was sent to a former licensee listed in the new phone directory yellow pages as a LPA. Due to previous disciplinary action, the license is suspended and a court ordered injunction is in force. No response has been received. File to remain open.

CD 2003-10 – A Cease & Desist was sent to a Utah CPA practicing in Idaho without an Idaho License. The Cease & Desist was promptly signed. The individual applied for and received Practice Privileges. File closed.

(D) Licensure - Special Considerations: The Board reviewed two special consideration license applications. The first disclosed two DUI convictions within a two-year period; the applicant is currently on probation. The second disclosed a past SEC violation. The Board directed staff to request further information on both files and delay final approval.

(E) Annual Review of Legal Counsel and Interim Personnel Assessments: Ms. Pumphrey moved to authorize the approval of a floating holiday during 2004 for each of the Board staff with the consent of the Executive Director. Mr. Rasmussen seconded. Motion carried.

3. EXAMINATION

(A) CBT Update: 1. NASBA, AICPA, and Prometric are in line for meeting the April 2004 target date for the Computer Based Testing. The Board office continues to communicate via fliers, newsletters and special mailings with the candidates, colleges, and universities regarding the changes in procedures and educational requirements. New exam and re-exam applications are prepared for the web site. Historical data from the Board's database is being extracted for transfer to NASBA's Gateway, and the data transfer files to exchange information between the Board's system and the Gateway are in development. 2. The process for Board approval of grades was discussed. Mr. Pilcher moved to delegate authority to Ms. Porter, as the Board Executive Director, to approve normal scores from AICPA/NASBA for immediate release to the exam candidates. Formal approval by the Board Directors would be as a consent agenda item at the next Board Meeting. Mr. Rasmussen seconded. Motion carried. 3. Mr. Larry Hunter, Board Legal Counsel, evaluated and concluded the NASBA draft contract followed basic Idaho contract law, and as such, did not find a barrier to the Board signing the contract. Mr. Rasmussen moved to approve the Board entering into and signing the contract with NASBA. Ms Pumphrey seconded. Motion carried.

(B) Special Considerations: Five requests for November Exam fee refunds were reviewed by the Board. Mr. Pilcher moved to refund partial fees for the three that provided supporting documentation for their requests. Mr. Rasmussen seconded. Motion carried. Ms. Pumphrey moved to deny the two without supporting documentation. Ms. Berryman seconded. Motion carried.

4. APPLICANTS FOR LICENSURE

(A) Special Considerations: Action taken on Executive Session Items: Additional information was requested for two license special consideration applicants.

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(B) Review Applicants for Licensure and Permit to Practice: Mr. Rasmussen moved to accept the list of new licensees, CP-4263 through CP-4295 and practice privileges, PP-0057 through PP-0064. Ms. Pumphrey seconded. Motion carried.

(C) Reciprocity Standards after Implementation of CBT: The Board discussed the issue of reciprocity for individuals who passed the exam in another state that did not require candidates to sit for all parts not yet passed. Under the Computerized Exam, candidates may sit for one section at a time. The Board advised staff to treat reciprocity applicants in this situation with parity to candidates who have passed the computerized exam.

5. PEER REVIEW PROGRAM AND FIRM REGISTRATION

(A) Update from PROC Chair, Lou Henry: Mr. Henry discussed the Public Company Accountability Oversight Board (PCAOB) activities in reviewing the hiring and training practices along with the systems used by the large firms doing audit work for publicly traded companies. Mr. Henry said following these guidelines addresses the quality of auditing standards for both private and public companies. Next, Mr. Henry updated the Board on the work of the Peer Review Oversight Committee (PROC). PROC looked at all the firms' Peer Reviews. PROC accepted all Unqualified Reports; reviewed the firms that received their first Modified reports to understand the severity of the situation; and closely examined the firms with repeat Modified or Adverse reports. The Peer Reviews of three firms were brought to the attention of the Investigative Committee. Ms. Porter and Ms. Berryman, the Board liaison to PROC, expressed satisfaction with PROC's work on improving the protection to the public. The Board instructed Ms. Porter to send a letter to NSA, stating the Board's approval of NSA's Peer Review program for the upcoming year, and recommending types of remedial actions that NSA could impose when they issue adverse reports.

(B) Special Consideration - Request for Firm Registration Late Fee Waivers: The Board denied two requests for late filing waivers.

(C) Approval of Administering Organizations: Ms. Pumphrey moved to approve the list of Administering Organizations to provide Peer Reviews for firms with Idaho licensees as recommended by the Peer Review Oversight Committee. Mr. Pilcher seconded. Motion carried.

6. NASBA INITIATIVES

(A) National Licensee Database: Ms. Porter explained the concept of the database proposed by NASBA that would maintain the current licensing status of certified public accountants throughout the country. The Board approved Ms. Porter's request for Idaho to volunteer as a pilot state.

(B) Answering the SOX Challenge: The Board reviewed guidelines developed from the NASBA Regional Meetings and discussed at the NASBA Annual Meeting to address regulatory issues arising from the Sarbanes-Oxley Act. The current Idaho Rules and Statutes fall in line with the NASBA initiatives. The Board tabled action on record retention until a national standard was determined.

(C) UAA Rule Setting: Ms. Porter informed the Board of the joint agreement between NASBA and AICPA to allow NASBA to take the lead in drafting changes to the rules that are contained in the

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national model language.

(D) Focus Questions: The Board provided input for the quarterly Focus Questions.

(E) Other Topics of Interest from the Annual Meeting: Mr. Bird complimented the following: Ms. Porter for her involvement in the Executive Director Committee, Mr. Sam Cotterell as Director-at-Large and Ms. Pumphrey for her participation in the panel discussion at NASBA's Annual Meeting. Ms. Pumphrey will be quoted in a coming issue of the Journal of Accountancy.

(F) Foreign Licensing: Ms. Porter apprised the Board that Idaho can accept reciprocity licensees from Australia, Canada and Mexico based upon the agreements developed by the International Qualifications Appraisal Board (IQAB) and the International Qualification Examination (IQEX).

7. DIRECTOR'S REPORT

(A) Reappointment of Idaho State Board Members: Melissa Nelson, ISCPA Executive Director, explained the process. ISCPA Nominating Committee recommends names that are approved by ISCPA's Board of Directors prior to being voted on by the membership at the ISCPA Annual Meeting. Two names for each Board opening are then submitted to the Governor, who appoints one to the Idaho State Board of Accountancy Board. There is no prohibition to submitting a name for reappointment to the State Board of Accountancy.

(B) Blue Ribbon Recommendations: A response letter on Government Organization and Structure will be sent to the Governor regarding the proposed impact of the Blue Ribbon Task Force recommendation of consolidation of regulatory agencies and their Boards.

(C) CPE Committee Appointments: The terms of six members of the CPE Committee will expire at end of the year. The members are willing to serve another three-year term. Ms. Pumphrey moved to reappoint James F. Bell, CPA; Robert R. Chatters, CPA; Kendal F. Egbert, LPA; Monte E. Warwick, CPA; Glen G. Utzman, CPA and Gail Loynd, LPA to three-year terms on the CPE Committee. Mr. Rasmussen seconded. Motion carried.

(D) Director Activity Update: The list of director's activities from October through December 2003 was distributed. Ms. Porter reported on the visit of NASBA Gateway Director, Denise Hanley. Ms. Hanley reviewed the Board history files for transfer to NASBA's Gateway database, and assisted staff in understanding how data transfer protocols can be accomplished once CBT is launched.

8. TREASURER'S REPORT

The Board reviewed the Treasurers Report for the periods of September and October 2003. Ms. Porter reported the budget request had been submitted in early September to the Governor's Division of Financial Management and the Legislative Budget Office, after it was reviewed and approved by the Board Treasurer.

9. CONFIRM NEXT BOARD MEETING

The next meeting of the Idaho State Board of Accountancy is scheduled for 8:30 AM, Wednesday, April 28, 2004 at the Board office in Boise. The summer Board meeting date will be changed from Friday, July 16th to a date later in July.

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There being no further business before the Board, the meeting was adjourned at 2:33 PM.

Larry R. Bird, CPA, Chair

James R. Pilcher, CPA, Vice-Chair

R. Craig Rasmussen, CPA, Secretary