

MINUTES
IDAHO STATE BOARD OF ACCOUNTANCY
Boise, Idaho
December 11, 1998

REGULAR SESSION

The regular meeting of the Idaho State Board of Accountancy was called to order at 8:30 AM with Chair Alan Van Orden presiding. The Board adjourned to Executive Session at 8:40 AM, reconvened the Regular Session at 10:25 AM, recessed for lunch at 12:00 PM, reconvened at 1:00 PM and adjourned at 3:07 PM.

ROLL CALL: The following members of the Board were present:
Alan Van Orden, CPA
Leonard Hodge, CPA
Don Etter, Public Member
Sam Cotterell, CPA
Larry Stewart, LPA
LaVern Gentry, CPA
J. Thomas Jones, CPA
Barbara Porter, Executive Director; Chris Arthur, Investigative Coordinator and Steve Drake, Attorney were also present.

1. CONVENE REGULAR SESSION:

Mr. Etter motioned to approve the minutes of the September 25, 1998 Regular Session. Mr. Cotterell seconded the motion. Motion carried.

2. EXECUTIVE SESSION: Alan Van Orden, Chair, citing *Idaho Code* Section 67-2345 (1)(d) & (f), called for a vote to adjourn to Executive Session for discussion of complaints and disciplinary proceedings before the Board. All members of the Board present voted as follows: LaVern Gentry, CPA, yes; Alan Van Orden, CPA, yes; Don Etter, yes; Sam Cotterell, CPA, yes ; Larry Stewart, LPA, yes; Leonard Hodge, CPA, yes and Tom Jones, CPA, yes. The Board adjourned to Executive Session at 8:40 AM. The Regular Session resumed at 10:25 AM.

The Board addressed the items from the December 11, 1998 Executive Session.

(A) *Approve Minutes:* Mr. Hodge motioned to approve the minutes of the September 25, 1998 Executive Session. Mr. Etter seconded the motion. Motion carried.

(B) *Status Reports/ Review Complaints:* No motions were needed on dockets discussed during the Executive Session.

(C) *Special Consideration - Licensure:* Mr. Cotterell motioned that staff should direct Mr. Brady to

continue with the reciprocity application process. Mr. Gentry seconded the motion. Motion carried.

Ms. Porter expressed concerns over suspended licensees not returning original wall certificates and the possibility that they could still be holding out. She asked the Board for direction in dealing with these situations and for the Board's position on retrieving certificates. Mr. Cotterell motioned to direct staff to aggressively monitor and enforce actions against those suspended licensees who have not returned their certificates and who may be continuing to hold out. Mr. Etter seconded the motion. Motion carried.

3. DISCIPLINARY PROCESS: DRAFT PROCEDURES FOR BOARD DISCUSSION IDAHO STATE BOARD OF ACCOUNTANCY

The following disciplinary procedures were presented to the Board for their review.

Disciplinary Procedures (Draft)

Licenses and Applicants:

- I. Complaints may come via a Verified Complaint Form, from an anonymous source, or from a public information source such as the media, a governmental agency, or an applicant's own submission. At any point in time during the complaint process the Board can, given sufficient grounds, refer a situation for criminal prosecution or civil injunction.
- II. When a Verified Complaint Form (VCF) comes in, staff:
 - A. Checks if the Respondent is a licensee or applicant
 1. If NO, complaint rejected but may be handled via Cease and Desist process
 2. If YES, staff goes to next step
 - B. Ascertains whether or not complaint is a fee dispute or other area of non-jurisdiction
 1. If YES, complaint rejected after Investigative Chair review. Reported to Board
 2. If NO, staff goes to next step
 - C. Checks to see if the form is signed and notarized
 1. If NO, staff returns VCF to Complainant to be completed
 - a. If not completed, complaint rejected. Reported to Board to consider filing complaint
 - b. If completed, staff goes to next step
 2. If YES, staff goes to Step IV
- III. When an anonymous complaint or public information is received, staff:
 - A. Checks if the Respondent is a licensee or applicant
 1. If NO, complaint rejected but may be handled via Cease and Desist process
 2. If YES, staff goes to next step
 - B. Ascertains whether or not complaint is a fee dispute or other area of non-jurisdiction
 1. If YES, complaint rejected after Investigative Chair review. Reported to Board
 2. If NO, staff goes to next step
 - C. Files complaint on behalf of Board, initiates C&D, or other lesser action, as appropriate

1. Disciplinary Chair may be consulted at this point
 2. Attorney may be consulted at this point
- IV. Once a complaint has passed the previous steps, staff then:
- A. Assigns docket number
 1. Disciplinary Chair may be consulted at this point
 2. Attorney may be consulted at this point
 - B. Sends copy to Respondent for response within 20 business days
 - C. Sends acknowledgment to Complainant (unless anonymous or public)
- V. When Respondent replies, staff sends copy of file to Investigative Chair and Attorney for:
- A. Determination of probable cause for prosecution by Investigative Chair, with Attorney assessment as needed
 1. If YES, staff goes to next step
 2. If NO, complaint rejected. Reported to Board
 3. Respondent and Complainant are notified of no probable cause for prosecution
 - B. Determination of need of an investigator by Investigative Chair, with Attorney assessment as needed
 1. If YES, staff goes to next step
 2. If NO, staff presents the file at next Board meeting (Step VII)
- VI. When an Investigator is warranted, staff:
- A. Contacts an appropriate person from the Board's pool of Investigators
 - B. Verbally confirms Investigator's independence and lack of conflict
 - C. Enters into a contract with Investigator providing time frame, reimbursement, etc.
 - D. Notifies Respondent and Complainant of the appointment of an Investigator
- VII. When the Investigator's Report is received, staff:
- A. Forwards a copy to Investigative Chair and Attorney
 - B. Presents all information at the next Board meeting in Executive Session
 - C. Board, during Regular Session, directs staff on how to proceed
 1. If the Board determines that there is no probable cause for prosecution
 - a. Board dismisses complaint
 - b. Board directs staff to close the docket
 - c. Staff so notifies Complainant and Respondent
 - d. There is no Final Formal Action
 2. If the Board determines that there is probable cause for prosecution
 - a. Board directs staff and/or Prosecuting Attorney to pursue prosecution
 - I. Is now a contested case according to APA
 - II. Staff/Attorney issue notice of hearing and needed subpoenas
 - III. Staff/Attorney negotiate stipulation and consent agreement
 - b. Board may offer guidelines for a stipulation and consent agreement
 - c. Board may request additional investigation
 - d. Board may appoint second Attorney; one to handle prosecution, one to provide Board legal advice

Cease and Desists for Non-Licensee or Non-Applicants:

- I. Violations of the Idaho Accountancy Act and Rules by individuals who are not Idaho licensees or applicants are handled through a Cease and Desist process. Some common violations are:
 - A. Holding out as a CPA or LPA if never licensed in Idaho
 - B. Use of the word “accounting” in a firm name
 - C. Calling oneself a “public accountant” when not licensed
 - D. Providing attest work, included audits, reviews, compilations and reports on prospective financial statements when not licensed
 - II. Staff sends Cease and Desist letter when they become aware of possible violation
 - III. If the letter is signed by Respondent
 - A. Staff sends a letter of acknowledgment
 - B. Staff maintains file of Cease and Desists (C&D) and reports annually to Board
 - C. Staff does follow up as needed to ensure compliance
 - IV. If the letter is rejected by the Respondent
 - A. Staff refers situation to Attorney (or directly to Board to initiate prosecution)
 - B. Attorney sends C&D letter outlining possible criminal charges/injunctive relief
 - V. If Respondent signs Cease and Desist order from Attorney
 - A. Staff sends a letter of acknowledgment
 - B. Staff maintains a file of Cease and Desists and reports annually to the Board
 - C. Staff does follow up as needed to ensure compliance
 - VI. If Respondent refuses to sign Cease and Desist order from Attorney
 - A. Cases are presented to the Board
 - B. The Board can opt to prosecute or seek injunctive relief
 1. Docket numbers are assigned
 2. Attorney initiates process
 3. The matter is handled in a court of law
 - C. The Board can opt not to prosecute or seek injunctive relief
 1. Respondent is notified
 2. Staff includes the disposition of these cases in Cease and Desist files
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The Board gave their input on the following policy issues:

1. The Board wants to be advised whenever staff and Investigative Chair reject a complaint as simply a fee dispute.
2. The Board delegated staff the authority to reject complaints based upon the Investigative Chair and Attorney assessment (as needed) of no probable cause for prosecution as long as status reports continue to go before the Board.
3. The Board delegated staff the authority to engage an Investigator when the Investigative Chair

and Attorney (as needed) conclude one is warranted.

4. The Board agreed that the Prosecuting Attorney may notice a case up for hearing at the same time that negotiations for a stipulation and consent agreement are initiated.

5. The Board delegated staff the authority to issue Cease and Desists to applicants who are holding out.

Mr. Gentry motioned to approve the Disciplinary Procedures and Staff policies, and to bring them before the Board on a yearly basis for approval. Mr. Etter seconded the motion. Motion carried.

4. EXAMINATION:

(A) Special Consideration: The Board reviewed requests from Kimberley Berquist and Angela Cromer for special consideration in transferring fees forward to the May examination. Both had missed the deadline for transferring fees and could not sit for the November 1998 exam due to medical reasons. Mr. Gentry motioned to transfer fees forward to the May 1999 examination for both candidates. Mr. Hodge seconded the motion. Motion carried.

(B) NASBA's Examinations Committee: The Board discussed delegating authority to NASBA's Examination Committee. Mr. Drake informed the Board that the resolution could be terminated at anytime should the Board so choose. Mr. Etter motioned that the Board sign the resolution authorizing NASBA's Examinations Committee to act on behalf of State Boards as a liaison in communications with the AICPA's Board of Examiners. Mr. Jones seconded the motion. Motion carried.

(C) AICPA's Survey Results: The Board reviewed the results of the AICPA's survey on Reporting Pass/Fail Exam Grades. This was for informational purposes only, no action was needed.

(D) Contract with the AICPA: The concept of a contract with between the AICPA and State Boards was discussed at the NASBA annual meeting. Ms. Porter asked the Board how they felt regarding an exam contract with the AICPA. The Board directed Ms. Porter to get more information and tabled the discussion until the April Board meeting.

(E) Briefing Paper on Exam Computerization: The Board reviewed the Briefing Paper No. 1 from the AICPA Computerization Committee asking for their comments. Mr. Gentry will be attending the meeting on January 27, 1999 concerning the Conversion of the Examination to Computer. Both Mr. Gentry and Ms. Porter will respond to the AICPA and report back to the Board at the April meeting.

5. APPLICANTS FOR LICENSURE:

(A) Review Applicants: Mr. Gentry motioned to approve the following applicants for licensure effective December 11, 1998 and January 1, 1999. Mr. Hodge seconded the motion. Motion carried.

R-WA	CP-3660	10/01/98	CUNHA, JAMES M
R-CO	CP-3661	10/01/98	GARRISON, CHARLES J

TG-WA	CP-3662	10/01/98	HALLISSEY, SEAN P
TG-MT	CP-3663	10/01/98	RANISATE, AARON L
EXAM	CP-3664	10/01/98	MCNEIL, CHERYL E
R-WY	CP-3665	10/29/98	ANDERSON, WALLACE S
EXAM	CP-3666	10/29/98	SCHLAG, GINA TERESE
TG-CA	CP-3667	10/29/98	RANISATE, KEITH A
R-WA	CP-3668	10/29/98	HUTCHENS, JAMES S
EXAM	CP-3669	10/29/98	TENNEY, SUSAN IRENE
R-OR	CP-3670	10/29/98	LARSON, STEPHEN J
EXAM	CP-3671	10/29/98	SONNICHSEN, KELLY D
EXAM	CP-3672	12/03/98	HUBBARD, LEANN LYN
TG-MO	CP-3673	12/03/98	JONES, GREGORY W
EXAM	CP-3674	12/03/98	FOREST, LORI M
EXAM	CP-3675	12/03/98	DI DIO, PETER PHILIP
TG-WA	CP-3676	12/03/98	MORRISON, DEBBIE M
EXAM	CP-3677	1/01/99	MEYERHOEFFER, JASON ANDREW
EXAM	CP-3678	1/01/99	YORE, GINGER LEE
EXAM	CP-3679	1/01/99	PHILLIPS, REBECCA JOANNE
EXAM	CP-3680	1/01/99	STORER, TAMRA K
EXAM	CP-3681	1/01/99	MCKINNEY, CINDY R
EXAM	CP-3682	1/01/99	JENSEN, JENNIFER
EXAM	CP-3683	1/01/99	NIELSEN, ALAN SIDNEY
EXAM	CP-3684	1/01/99	WILLIAMS, B COLE
TG-CA	CP-3685	1/01/99	SMITH, TYLER C
EXAM	CP-3686	1/01/99	GOSVENOR, WILLIAM C

6. QROC:

(A) *Latest Revisions to the Rule Changes as Submitted for Adoption in 1999:* Ms. Porter informed the Board that changes to the Quality Review rules that were requested in the September Board Meeting have been completed and are pending review by the 1999 State Legislature for final adoption. The rule will become final and effective on July 1, 1999.

(B) *Vacancies Requiring Appointments:* Mr. Hodge motioned to appoint Mr. Scott Dockins, CPA, Mr. Jerry Tarter, LPA, and Ms. Betty Jo Berryman, LPA to the Quality Review Oversight Committee for three year terms. Each term will be retroactive to July 1, 1998 and expires on June 30, 2001. Mr. Stewart seconded the motion. Motion carried.

(C) *QROC Update:* Mr. Hodge updated the Board on QROC activities and voiced his concerns with NSA compliance with the Boards requirements. Mr. Hodge feels that if NSA can't comply with Idaho's requirements then they should be discontinued as an administering organization.

The Board reviewed correspondence from Larry Kirk of the State Legislative Auditors Office regarding an audit report of a school district and the firm's response. Specifically, Mr. Kirk was concerned with the number of exceptions to federal audit reporting standards that his office was finding and how certain CPA firms were handling the situation. Mr. Kirk was asking about the State's

requirements and the appropriateness of alerting the Board to auditors who may need to improve their work. Ms. Porter was directed to inform the firm that the Board views exceptions to federal audit reporting standards as a serious situation that if not corrected could lead to a formal complaint. Ms. Porter was also directed to notify Mr. Kirk of the Board's action.

7. UNIFORM ACCOUNTANCY ACT:

(A) ISCPA/ISBA Task Force: The Board was supplied copies of the notes from the November 10, 1998 UAA Task Force. Mr. Cotterell informed the Board that 75 responses had been received through November 17, 1998 to the ISCPA survey and reviewed the results. The majority of responses either agreed or strongly agreed with the three key concepts. Non-CPA ownership had the largest number of respondents disagreeing or strongly disagreeing with it.

(B) Authorization for Expenditures: Mr. Cotterell motioned to approve up to \$6,000 for administrative costs incurred with the public hearings on the UAA. Mr. Hodge seconded the motion. Motion carried.

(C) Tentative Agenda for Public Hearings: Ms. Porter supplied the Board with a tentative schedule for the UAA Public Hearings. Members were expected to attend the hearings in their areas of the state. Board members were to let Ms. Porter know of any scheduling conflicts prior to announcing the hearings in the January newsletter.

(D) NSA's Negotiations with NASBA & AICPA: The Board reviewed the NSA's press release concerning recommendations accepted by the UAA Joint Committee.

8. TREASURER'S REPORT: The Board reviewed the Treasurer's report through November 30, 1998. Mr. Jones motioned to approve the report. Mr. Cotterell seconded the motion. Motion carried.

9. DIRECTOR'S REPORT:

(A) Investigator Volunteer: Ms. Porter informed the Board that Ms. Geneva Trent, CPA has offered to work as an investigator in complaints that the Board may receive. Mr. Stewart motioned to approve Ms. Trent as an investigator and directed staff to add her name to the list of individuals willing to investigate complaints. Mr. Cotterell seconded the motion. Motion carried.

(B) Replacement of LMS: Ms. Porter informed the Board that LMS - Licensing Management System used by staff is not Y2K compliant and research needs to begin for replacing the system. The Board directed staff to proceed with the research. A conference call will be scheduled with the Board if staff finds that a new system needs to be purchased before the next Board meeting.

(C) ISB Annual Report: Ms. Porter provided the Board with a copy of the Independent Standards Board's first Annual Report. No discussion was needed.

(D) Appointment to the Public Perception Committee: Ms. Porter informed the Board that she has been appointed to the Public Perception Committee of NASBA by Mr. Milton Brown, LPA. The Board was supplied with a letter of Mr. Costello's letter of appointment for their reference.

(E) Commission and Contingent Fees: The Board was informed that the issue of Commissions and Contingent Fees and whether or not Idaho licensees can accept them under certain circumstances was addressed in a letter from an Idaho licensee. Mr. Drake analyzed the issue. The Board discussed the Idaho Accountancy Act in relation to Supreme Court decisions and the UAA.

(F) Directors' Activities: Ms. Porter supplied the Board with a list of the staffs activities for the months of September, October and November 1998. No action was required.

10. NEXT BOARD MEETING DATE: The next Board meeting is scheduled to be held April 23, 1999.

There being no further business to be brought before the Board, the regular session adjourned at 3:07 PM.

Alan Van Orden, Chair

Leonard Hodge, Vice-Chair

LaVern Gentry, Secretary