

North Dakota State Board of Accountancy

**Minutes: 1/19/07, 1 pm**

Location: BradyMartz & Associates, Grand Forks

The meeting began at 12:57 pm, with the following in attendance: Harold Wilde, George Kelly, Ron Johnke, Rick Lee, Mary Jo Richard, Velma Bjorgum, Carol Dobitz by phone, Jim Abbott

**RULE CHANGES**

1. Substantial Equivalency changes: Carol moved to make these changes; George seconded; carried unanimous.
  
2. Accounting concentration: We will adjust the definition, to specify that the concentration requires 24 credits of accounting and 24 other business credits. Principles of Accounting will not count in either part of the concentration, but the "other business" credits can include up to 3 credits of Economics. Rick moved to approve the rule change; second by Ron; carried unanimous.
  
3. Peer Review: a letter written on behalf of the NDSA was received expressing opposition to broadening peer review to include compilations. There was discussion about fees related to the program. The matter was tabled. Harold will seek fee information from the CPA Society. An alternative could be to use a hired SB person, to approve the firm / reviewer match, accept review documents – in lieu of using a report review body.
  
4. Ethics code: Harold indicated that independence provisions in the AICPA code would be the key area of potential concern. Ron moved to adopt the AICPA code, to replace the ND code; Carol D. seconded; carried unanimous. Harold & Jim will review the AICPA code.
  
5. Late fees due July 31: Ron moved approval; second by Rick; carried unanimous.
  
6. License fees: George moved approval of the "not to exceed" approach; Ron seconded; carried unanimous.
  
7. Firm permits: tabled
  
8. Reinstatement (adding \$100 fee to re-activate a relinquished certificate): motion by Carol; second by Rick; carried unanimous.
  
9. Editing "public accounting" definition, to include management advisory, etc., and remove the "unless in a firm" phrasing. George moved to make the changes; seconded by Ron. Discussion. The matter was tabled; we will review further.

Break

10. Application life: we will pass on changing the current one year lifespan.
11. Board stipend: Carol moved approval of board fee changes; second by Ron; carried unanimous.
12. Confidential communications: Rick moved approval; second by Carol; carried unanimous.
13. Reciprocity: no change will be proposed.
14. Temporary practice: we will table this item for now

Velma left the meeting.

#### MINUTES APPROVAL

Carol D. moved approval; second by Rick; carried unanimous.

Dick Brammell (connected by phone) reported to the Board on the practice review program.

No remedial action is being suggested at this point, but there are two outstanding firms.

With Mary Jo absent, the group addressed a special review that had been performed on a practice unit. The practitioner did not report that he had been performing a review engagement (therefore required to have a peer review). Dick had suggested resigning from the engagement. The practitioner did not plead ignorance of the requirements, but inferred he would probably resign from the engagement. Harold will prepare a letter – requiring 24 onsite CPE credits in A&A, professional standards, and ethics, also requiring the addition of a GAAP guide or current text to his library, and resigning from the review engagement; the practice is to be reviewed, onsite, in a year. (Dick left the meeting).

#### FINANCIAL REPORT

(Mary Jo returned to the meeting).

Jim handed out Dec. 31 financials. Jim will check re. the sick / vacation payable item on the balance sheet, and correct title if necessary. Carol moved approval of the disbursements presented (checks 11532 – 11818); George seconded; carried unanimous.

There was no objection to allowing both formats of the AICPA ethics exam (text or CD-ROM) for certification.

#### STAFF AGREEMENT

Ron moved to renew the staffing agreement for 5 years; Rick seconded; carried unanimous.

#### CPE AUDIT

An audit of claimed CPE had been carried out, with no problems found. We will audit 5 or 10 licensees per year from the two groups (those claiming CPE and those claiming the out-state reporting exemption), and eliminate the committee review process. Mary Jo left the meeting.

#### COMPLAINTS

We will close the 2006-9 case.

An AICPA disciplinary action was reviewed; no further action will be taken. Jim will check with AICPA in 3 months, on the status of compliance (prior to next meeting).

#### NEXT MEETING

Friday, May 11<sup>th</sup>; 1 pm at the Grand Forks office of BradyMartz & Assoc; lunch at 12:30.

Re. Manitoba CA graduation event (Sat. Feb. 3), Harold and Jim will visit about attendance.

RSM McGladrey & Pullen: if the firm is not using an RSM permit here, we will take no action.

Adjourned at 4:35 pm.

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Secretary

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Date

North Dakota State Board of Accountancy  
**Meeting Notes: 5/11/07** 11:00 am

The meeting began at 1:00. Present: Harold Wilde, Rick Lee, Ron Johnke, George Kelly, Carol Dobitz, Velma Bjorgum, Nikki Schmaltz, Mary Jo Richard, Jim Abbott.

Harold welcomed Nikki Schmaltz, who is a new board member.

**Minutes (1/19/07):** Approved on motion by Carol D.; second by Rick L.; carried unanimous.

**Financials (3/31/07)**

Approval of disbursements (checks 11819 to 11926, dated 1/1/07 to 3/31/07) – Carol motion; second by George. Carried unanimous.

**2007-8 Budget.** Approved on motion by Carol D.; second by Ron; carried unanimous. Jim will request that an elevator directions sign be installed at the office, if not already there.

Rick and Ron will be the Board's representatives for the annual joint Society / Board meeting. The meeting will be held June 6 at 7 am. There was no objection to the team having decision-making authority.

**Rule changes**

Mary Jo reviewed an alternative pricing approach for Society peer review administration fees. It was mentioned that perhaps the late fees should be higher, and perhaps the board should be notified of firms that are slow to cooperate.

Carol D. moved to adopt peer review for all licensees [compilations also]; second by Ron J. There was concern about charging a higher fee for those who cannot be a member, or choose not to be a member. Also mentioned was the idea of the NDSA assisting the CPA society with the peer review fees for their members. Motion carried, with George voting against.

Carol moved to change the firm permit fee to \$10 for all firms; second by Rick; carried.

The substantial equivalency law changes are agreeable, but will be left for 2008 action, prior to the Legislative Session. Break.

Adding "for a resident" in Rule 3-02-02-02 was agreeable.

Educational concentration: A Money and Banking class is to be counted only as an ECON course, even if it carries another rubric. Any classes with an ECON rubric are allowable.

Carol D. moved to add “not renewed” in sentence one of rule section 3-02-02-08; second by George; carried unanimous.

Ron moved to adopt the AICPA code; second by Rick; carried unanimous.

### **CPA Exam Issues**

A letter had been received from NASBA, inviting exam-related comments. No comments were raised. Velma left the meeting. Ron moved to ask for regrading of Windows 2 and 3, re. the “cut & paste” issue; second by George; carried unanimous.

### **Retired status**

Serving as a member of a board of directors will be considered allowable by those holding retired status, without impacting that status.

### **Audit firm**

There was no objection to continuing to retain the Drees, Risky and Vallager firm for the Board current audit.

Mary Jo left the meeting.

### **PRP coordinator**

The group was agreeable with Dick Brammell performing our PRP review services without CPE, if not holding out.

### **Pro forma**

Jim passed out copies of a financial projection for a separately-operating agency status.

### **New Legal Counsel**

Jim proposed plans for contacting three attorneys; two who represent professional / business boards, one with Mike Daley’s former firm who had expressed an interest in serving us.

We will use this approach, in consultation with Harold.

### **Complaints**

2007-1. We will ask the person to use a disclaimer.

There was no objection to closing cases 2006-8, 2006-10, and 2006-11

Jim informed the group that the AICPA disciplined CPA appears to be current with obligations.

He will follow up in about 6 months.

2007-2: George had reviewed this complaint and reported to the group. It was mentioned that there is a potential conflict with one of the board members on this case.

We will invite a response from the CPA, which George will review.

**Next meeting:** Monday, July 2; at 10 am; by conference call.

The group briefly discussed legal actions relating to two national firms.

Adjourned at 4:09

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Secretary

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Date

North Dakota State Board of Accountancy

**Meeting Notes: 7/2/07** 10:00 am (by conference call)

The meeting began at 10:05 am. Present at the Board office were Harold Wilde, Ron Johnke, and Jim Abbott; present by phone were: George Kelly and Nikki Schmaltz at one Fargo location, also connected by phone were Rick Lee, Velma Bjorgum and Mary Jo Richard.

### **Selection of officers**

Harold was selected as president, on motion by Rick, second by George, carried unanimous.

Ron was selected as Sec.-Treas., on motion by Harold, seconded by Rick; carried unanimous.

### **Minutes (5/11/07):** Approved

Rick moved approval; second by George; carried unanimous. There is a typographical error at the top of page. 2.

### **Financial Report (May 31, 2007)**

Nikki moved approval of issued checks 11927 to 12030; second by George; Jim mentioned that 2 voids were not listed; carried unanimous.

### **Budget Revision**

Ron reported on the Joint Society / Board meeting. Ron moved approval of the revised budget; second by Rick; carried unanimous.

### **Rule Change Language**

Jim reviewed potential changes. Harold reported that Aakers College has been accredited.

We will change the license renewal fee "ceiling" to \$100.

George indicated that the NDSA is opposed to the peer review (compilation) expansion, due to cost; he also stated that small firms are not aware of what a peer review involves; more information might help. Nikki would be willing to talk with the NDSA; she also mentioned Stan Sandvik. She will pursue. Jim will send peer review financial information to Nikki.

A question was raised about having an LPA sit on the Society acceptance body / committee. Jim will check on AICPA-related rules.

A letter had been received from Nate Sorenson, concerned about the current June 30 CPE reporting date. Discussion. Harold plans to write to Nate, with Jim's assistance. The group didn't feel this was a material concern. No change was initiated.

The rule changes were approved for exposure, on motion by Ron; second by Rick; carried with one opposed (George).

Jim reviewed law changes which would be held for fall 2008, and put into a legislative proposal.

A question was raised about peer review. Perhaps it could be added to the substantial equivalency criteria. Ron moved approval of these changes, planning to bring them forward; Harold commented that we are not settling the actual language; second by Rick; carried unanimous.

Velma left the meeting.

### **NASBA Annual meeting**

We will use a 4 night maximum for reimbursement.

Mary Jo left the meeting.

**Next meeting:** Nov. 23, in Grand Forks

### **Other items**

Jim will check with legal counsel, re. whether our statute term “client” covers both the party paying the fee and the entity to which services are provided.

Jim mentioned earlier plans to inquire of other states about peer review; South Dakota uses its own reviewer qualification approach. We will leave the matter as is.

### **Complaints**

2007-1. This case will be closed, with a letter asking that the party use a “not licensed in ND” disclaimer, if using a reference to his CA status.

2007-2. This case was discussed. It appears to be a “he said / she said” situation, but that better communication appears needed. It is not clear that the accountant was negligent. Jim will check with legal counsel about the handling of such issues – the full board being involved in examination of the case.

Jim will ask legal counsel re. public notice of discipline -- necessary processes involved.

Jim will provide a copy of the complaint materials to Rick and Harold (George will provide copy to Nikki), and the group will meet **July 31, 11 am**, to address the matter. Ron will not be receiving a copy, in light of a potential conflict.

Adjourned at 11:51 am.

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Secretary

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Date



North Dakota State Board of Accountancy

**Meeting Notes: 7/31/07** 11:00 am (401 DeMers Ave.)

The meeting began at 11:00 am. Present at the Board office were Harold Wilde and Jim Abbott; connected by phone were Rick Lee, Ron Johnke, George Kelly, Nikki Schmaltz.

#### COMPLAINTS

Discussion re. 2007-2. Jim will engage a party to gather information on the case. Jim notified the board that information had been received regarding a legal matter involving a national firm. He also mentioned that PCAOB reports are received by the office. An older matter (2001-7) will be "closed".

#### ATTORNEY SELECTION

The group discussed the hiring of an assistant Attorney General. Three individuals had been contacted along with references. There was no objection to hiring Jack McDonald. Jim will handle the arrangements.

The group discussed further the handling of the investigation (2007-2). We will want the investigator to visit with the complainant's wife, not only the husband, as well as the CPA.

Jim will handle NASBA annual meeting registrations for a couple of the board members.

ADJOURNED: 11:39 am

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Secretary

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Date

North Dakota State Board of Accountancy

**Meeting Notes: 11/16/07** 1:00 pm (at BradyMartz offices, Grand Forks)

The meeting began at 12:58 pm. Participants: Harold Wilde, Rick Lee, Ron Johnke, George Kelly, Nikki Schmaltz, Terry Knoepfle, Jim Abbott, Mandy Harlow.

MINUTES (July 2 & 31, 2007)

Rick moved approval of the minutes; seconded by George; carried unanimous.

#### FINANCIALS

Jim will adjust the monthly budget numbers for Board member expenses; we will also tighten up the timing of the monthly payroll sharing payment. Nikki moved approval of disbursements 12031 through 12210; second by Rick; carried unanimous.

#### RULE CHANGES

Harold commented on the Society lowering the cost for sole practitioners (ie. administration fee of \$50, vs. \$70). He also mentioned the idea of examining the CPE of compilation firms, and perhaps eliminating the firm permit. The agenda packet contained comments; others were sent to the members by email. Rick moved to adopt the rules, pending AG approval; seconded by Ron. It was asked if we might expect challenge, in light of the Rogne letter, and perhaps we can. Jim provided a copy of legal counsel responses to four questions (including ethics code date, etc). Motion carried, with one opposed.

#### QUESTIONS

##### 1. Use of "accountant"

Given that the accountants are part of a CPA firm, and all the CPAs show their credential, there was sentiment that allowing the non-licensed accountants to use "accountant" was acceptable. We will check on this question with legal counsel.

##### 2. Reinstatement of Zumbrusch

George moved to reinstate; second by Ron; carried unanimous.

##### 3. References Lifespan

We will allow a 3 year lifespan on exam references.

##### 4. Aakers

We will accept degrees from Aakers, after their accreditation date, including earlier coursework within such a degree. If another (acceptable) school has accepted Aakers credits, we would honor that school's decision. Aakers credits may count within the concentration.

##### 5. Experience

A request had been received to allow waiver of the 150 provision, in lieu of work experience. There was no objection to denying the request.

## 6. Work Experience

An inquiry had been received, re. work experience, however, the typical 3<sup>rd</sup> party verification was not provided. Such verification is necessary (notarizing was also mentioned). Break

## LAW CHANGES TASK FORCE

We will establish a joint work group to address law changes. Harold will serve as a board representative, along with either Nikki or Rick. Jim mentioned a mid-December timeframe for selecting the members, a mid January session, then again after tax season.

## NASBA ANNUAL MEETING

Comments about the meeting were shared.  
Jim will check on how many states mandate ethics CPE.

Information about possible exam enhancements had been sent to the group earlier.

NEXT MEETING: May 9, 2008, in Williston.

Terry left the meeting at this point.

## COMPLAINTS

- a). 2007-2. An investigative report had been circulated to the group by email. Discussion. The investigator joined the group for a time by phone, and responded to questions. Harold and Jim will work on this case, seeking to establish a timeline, re. sale of practice, which entity took what action, from 02 onward, to help resolve the matter.
- b). 2007-3. Ron briefed the group. The complainant needs to initiate the action on this matter; an attorney is probably the easiest route. If the CPA is guilty, they can recover funds.
- c). 2007-4. This case will be closed (no jurisdiction).

Jim commented on an Exam diagnostics error; there was no objection to sending the information to candidates, as recommended.

ADJOURNED: approx. 4 pm.

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Secretary

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Date