

North Dakota State Board of Accountancy

Meeting Notes: January 21, 2011; 1:00 pm

The session was called to order at 1:13 pm. Participants were: Rick Lee (presiding), Ron Johnke, George Kelly, Nikki Schmaltz, Faye Miller; Jim Abbott, Mandy Harlow.

CLEP CREDITS

A candidate had requested more CLEP credit than their school granted. We will follow the school's lead.

COMPLAINTS

Jim reviewed the status of open complaints. Rick added comments about case 2011-1; he felt that the accountant was open with his advice, and that there is no concern with their actions in the matter. We will recommend the complainant have their attorney request any needed records; we will await the results of the pending legal action; at this point we see no firm errors; the case will be kept open.

EXAM ACCOMMODATIONS

A candidate had requested special provisions for the Exam; we will follow the guidance of the NASBA.

MINUTES (11/19/10): Approved on motion by Faye; second by Ron; carried.

FINANCIAL MATTERS

Ron receives statements for the checking and investment accounts, directs any questions to Jim.

Ron moved approval of the financial statements as presented; second by Nikki; carried.

RULES OF ORDER: We are not required to adopt a set of meeting rules; no changes will be made.

LICENSEE CONCERN

A licensee had raised concern about the demands related to providing compilations. George shared cost concerns raised by another licensee [they were charged additional fees by a review firms, related to research done by one of the firm's staff members]. George will re-contact the CPA, and get back to Jim and Ron. As to the first matter, Rick has spoken with the party; no further action will be taken.

CPE AUDITING

Jim reviewed the results of a poll of various states auditing process. We will continue with our current system, but re-audit any that have issues.

PEER REVIEW

Norene Reiten and Mary Jo Richard met with the group by phone. Mary Jo reported on the program. There are 65 AICPA and 64 State Board firms. There were 22 AICPA and 19 Board reviews. Five of the Board reviews have not yet been conducted. The program has a new rating system, with three ratings: Pass, Pass with Deficiencies, and Fail. Of the 41

accepted reviews for 2010, 37 were Pass ratings, 4 were Pass with Deficiencies. Typical issues are inadequate library or CPE; there have been issues with the new Risk Assessment standards. An AICPA oversight visit occurred in 2010; in 2011, the program will conduct its own program oversight. A new oversight report will sent in by April. Costs were reviewed: Board reviews have a \$420 admin. fee every 3 years (if the firm has a Society member on staff; \$480 otherwise). AICPA firms pay annually, based on their licensee numbers – from \$120 to \$180. Mary Jo and Norene left the meeting at 2:13 pm.

NEXT MEETING: May 13, 2011 at 11:30 am.

ADJOURNED at 2:15, on motion from George; second by Faye.

Secretary

Date

North Dakota State Board of Accountancy
Meeting Notes: May 13, 2011

The meeting began at 11:43, with Rick Lee presiding.
Other participants were: Nikki Schmaltz, George Kelly, Faye Miller, Ron Johnke, Jim Abbott, and Mandy Harlow.

MARCH 21, 2011 MINUTES: Approved [Motion by Faye; second by Nikki; carried].

FINANCIALS (MARCH 31, 2011)

Jim will check on the (\$2.07) interest receivable item and the \$.04 entry in CPA/LPA license fees. He will also check on the status of equipment replacement; there was encouragement to use the available capital equipment funds, to avoid future need for substantial replacements. It was suggested that we inquire about free maintenance coverage during a period of time after a copier purchase. The financials and disbursements were approved [motion by George; second by Faye; carried].

2011 BUDGET

Changes to be made: reduce Benefits by \$7000, increase compensation \$10000, increase shared services \$6500 [i.e. add \$10K; subtract \$3500] – net change +\$3500. Jim will visit with an IT consultant about our data backup process, and whether there is a better method; results will be brought to the Joint Society / Board meeting. The budget was approved [motion by Nikki; second by Ron; carried].

JOINT COMP & EQUIPMENT COMMITTEE

Rick and Faye will serve on this team, with a meeting likely to be in Bismarck, which Jim will arrange. We will ask the Society president to share the staff responses to their ED evaluation. It was suggested that the Society and Board representatives could share their evaluative input and compare evaluation forms. Jim will contact the SD and MN boards to obtain their board and staff ED evaluation forms, which will be forwarded to Rick.

PEER REVIEW UPDATE

We are now utilizing the Facilitated State Board Access database, to obtain Letters of Acceptances for peer review due for submission this year. Any that are not available are being requested of the firm.

NEXT MEETING: will be July 18, at 11:30, in Grand Forks, at the office of Brady Martz.

ATTEST SERVICES: Agreed-Upon Procedures and Exams of Prospective Financial Information are attest services, but are not considered audit, review or compilation services. They are not included as services requiring peer review in ND rule. Jim will add a file reminder about this issue, for consideration when future rule changes are made. Revised wording could refer to AICPA program details and not cite specific services.

PEER REVIEW EXTENSION

A 1 year cycle change was approved for a practitioner who had requested the extension due to health issues.

REINSTATEMENTS

Reinstatement of certificate # 759 was deferred; the CPA will be invited to the next meeting and asked to explain why reinstatement should be granted, what procedures will be enacted to avoid

recurrence of past client access problems. The CPA will also be expected to provide proof of meeting the 6/30/11 CPE requirements, and also execute an agreement calling for immediate certificate relinquishing if problems recur.

Jim will draft the letter and have it reviewed and issued by legal counsel.

Three reinstatements (certificates 4524, 1561 & 3946) were approved [motion by George; second by Faye; carried].

COLLEGE CREDITS – PRIVATE SCHOOL

The Minnesota School of Business is similarly accredited as was Aakers (formerly not accepted by the Board). UND and U of M – Moorhead do not accept their credits; the MN Board of Accountancy does. The Board will not accept these credits, for satisfying the education requirements of certification.

An additional item was made available for review, relating to a national firm settlement action.

COMPLAINTS

2011-2. Closed [motion of George; second by Rick; carried]

2011-1. Rick will contact the accountant about the status of legal action; the file will be kept open.

2010-2. We will continue to monitor the case; it is being investigated by another party.

2011-3. We will inform the complainant that the case will be closed, unless they respond to our inquiry.

2011-4. We will write to the complainant, including a mention of board discomfort.

Jim informed the group about a number of other matters:

- a firm advertising audit and other services, but not having a firm permit; the firm agreed to fix the messages. We will view the website, to see if the changes have been made.
- a firm listing within a city Chamber of Commerce directory did not have an accounting disclaimer; no action will be taken.
- a MN firm cited a Fargo mailing address (PO Box); we withdrew our concern.
- a CO CPA uses "CPA" on his website, but has only an ND address; we have written to the CPA.
- there are documents still wanted by the complainant in a closed case; Jim will pursue this further.

ADJOURNED: at 2:21 pm [motion by George; second by Nikki].

Secretary

Date

North Dakota State Board of Accountancy
Meeting Minutes: July 18, 2011

The meeting was called to order at 11:47; Rick Lee presiding. Other meeting participants were: Ron Johnke, George Kelly, Nikki Schmaltz, Faye Miller, Mandy Harlow, Jim Abbott and Randy Roder.

MINUTES

The May 13, 2011 minutes were approved [motion: Faye; second: Nikki; carried].

OFFICER SELECTION

George nominated Rick to serve as president; Nikki seconded; motion carried.
George nominated Ron to serve as Secretary; Nikki seconded; motion carried.

REINSTATEMENT

Randy Roder was present in regard to reinstatement of his license. He left the meeting for about an hour, while related records were sought. When the CPA returned, he explained his situation, and was encouraged to inform the Board if an issue arises. CPE certificates were provided to the Board. Reinstatement will be granted, with an agreement to relinquish if legitimate concerns arise. Mr. Roder left the meeting. It was suggested that concerns need to be put in writing. Verification is needed for one of the completion certificates.

FINANCIAL REPORT (6-30-11)

Jim will check on the staff services and rental accounts, re. the variances from budget, and notify the Board of the discount rate paid for credit card purchases. Disbursements (13821 to 13908) were approved [motion by Ron; 2ND: George; carried]. Ron reviewed his internal control procedures.

GOVERNOR MEETING

The idea was shared about having a meeting with the Governor, to explain our procedures, financing, etc., as well as the results of a Washington State study comparing the performance of separate agencies vs. consolidated operations. It was mentioned that perhaps we could meet with legislators, if we are not able to arrange a Governor meeting; having a later meeting with legislators was also mentioned.

BLUE RIBBON PANEL

One question here is whether to comment on such national standards issues. No action was taken on whether to create a separate standards body, but board members can respond individually.

CPA-VERIFY

There was no objection to participating in this public licensee database being developed by NSABA.

EXAM INSPECTION

We have been asked to conduct a site visit of the Bismarck exam site, and Faye agreed to do so.

NASBA Regional Report

Jim reported on various items from the regional meeting. Faye attended the eastern meeting, and reported that NASBA encouraged committee volunteering. Jim did a technology presentation in the western meeting, and did well. Faye reported that NASBA has divested 60% of CPAES, and a new Ethics membership is available.

SERVICES PROVIDED WITHIN NON-LICENSED FIRM

Farm Credit Services has expressed a desire to use a different title for material they provide clients. Jim reviewed his response to their inquiry. It was suggested that we need to know such things as the number of clients that are provided statements, is the company limited to serving only loan clients or capital accounts holders, whether clients need to be farmers. Also mentioned was that we would like examples of what they wish to do. We will request that they share their wishes two weeks in advance; these would be circulated to the Board members, as well as legal counsel.

REINSTATEMENT

The certificate of David Nameniuk will be reinstated.

COMPLAINTS

2010-2. This case is in a "monitoring" status; it is being investigated by another party.

2011-1. We are awaiting court action.

2011-5. There was no objection to closing this case.

2011-6. The issues involved are legal matters; there was no objection to closing the case.

It was noted that an "accused" firm should be notified of closure if they likely knew of the complaint.

NEXT MEETING: to be arranged around the Governor's schedule.

STAFFING

The Board met without staff present; Faye shared comments she had earlier shared with Jim.

Faye and Nikki will represent the Board on a joint committee to examine E.D. compensation.

Full complaint files will be provided to the Board, with updates if the case returns at a later meeting. It was suggested to set a time for Farm Credit to appear, and have legal counsel participate if controversy is likely.

ADJOURNED: 3:25 pm.

Secretary

Date

North Dakota State Board of Accountancy

Meeting notes: Nov. 18, 2011

The meeting began at 11:47 am. In attendance were: Rick Lee, Nikki Schmaltz, Ron Johnke, Faye Miller, George Kelly (by phone), Mandy Harlow and Jim Abbott.

SPECIAL REQUESTS

Abbott reviewed requests for approval from AgCountry to change the names of the financial reporting division and its personnel. A key issue is that of CPAs being affiliated with plain paper financials. The group felt that use of a disclaimer was appropriate, and a fairly widespread use. Mentioned were the idea of contacting staff CPAs to inform them of obligations & restrictions, and requesting ongoing notice of CPAs who are on staff with the firm.

MINUTES OF JULY 18 MEETING

Faye moved approval of the minutes [one change needed near the end, to remove the words "she had"]; George seconded; motion carried.

FINANCIAL INFORMATION

An additional 1% contribution is required into the NDPERS retirement fund, plus a 1% contribution from staff. Jim will check whether benefit payouts have been changed. Nikki moved that if employees do not receive comparable benefit, the Board will cover the employee portion; second by Ron; carried.

Jim will check whether reimbursement has been received for Faye's meeting costs. He will also check on disbursement 14021 and 14022, and send a note of explanation to the Board.

Ron moved approval of payments 13909 through 14032; second by Faye; carried.

Ron commented that he receives bank and brokerage statements directly from the institutions, and receives expense reports; there have been no issues of concern. Rick mentioned being contacted by the auditors.

GOVERNORS OFFICE MEETING

Nikki reported on meeting at the Governor's Office, with Attorney General Drew Wrigley, Chief of Staff Ron Rauschenberger, and OMB head Pam Sharp (plus Faye, George and Jim). The meeting provided information about the work of the Board, such as its licensing and oversight. The meeting was considered a good idea, and should be repeated in the event of personnel changes. There was some surprise that we would be concerned about agency consolidation.

PEER REVIEW CYCLE

Jim introduced the idea of a potential change in the peer review system – allowing a 3 year extension on the due date of firms with very clear results on their peer review. The idea of "smart, efficient regulation" is a good one, but with peer review, there is question about where to draw the line as to what constitutes a "clear" review. There could be considerable pressure exerted by reviewed firms wanting a clean review, and the peer review process still has subjectivity within it.

REINSTATEMENTS

Mandy reviewed the eight requests for reinstatement. In the future, staff will bring only those requests that have met all relevant conditions. There are 11 non-renewed North Dakota licensees, and we will issue public notice that they are not licensed; there was no objection to purchasing advertising space to make this known.

Ron moved approval of six reinstatements: Karin Hegstad, Jeff Johnson, Mike Weigel, Garvin Osteros, Todd Schmalenberger and Michael Munns. Seconded by George; carried. Reinstatement was not approved for the two remaining cases, as they have not met relevant conditions.

STAFF COMP. REVIEW

Jim will obtain the SEA survey of compensation, and comp. information from other state boards.
BREAK

SPECIAL REQUESTS

Wayne Carlson and Patti Sell of AgCountry joined the group. They had earlier sent correspondence requesting approval to rename their financial records department and its staff titles. They have submitted similar information to the Minnesota Board of Accountancy. Instead of "Records Department" and staff titles of "records specialist", the preference would be to use Farm Accounting Services and accounting specialist. AgCountry is a government sponsored entity, but is owned by coop members. They supply such services as insurance, tax, records, retirement planning, to farmers, and farmer-owned enterprises. The company proposed to use a disclaimer on the financial reports. They now prepare financial statements, provide bank reconciling, payroll, budgeting, annual balance sheets, etc. The term "records" doesn't capture what they do.

Two issues of concern to the Board are that marketing pieces should include a disclaimer, and that CPAs should not be associated with plain paper financial statements. At present some CPAs are involved in preparing financial statements, which is contrary to CPA standards requirements (SSARS 8).

Jim suggested visiting with the AICPA about the related standards, and perhaps having a joint meeting of NDSBA, AICPA and AgCountry. Faye will check on who to contact within AICPA on this matter.

Further information was provided about the operation of AgCountry. Individuals who own ag land or are actively engaged in farming are potential clients. The CoBank part of FCS provides loans for coops.

Marketing their services under the term accounting would be acceptable, with a disclaimer. The issue of CPA involvement in plain paper financials needs to be resolved. It was suggested to inquire of NASBA whether they have relevant information.

STAFFING AGREEMENT

The group discussed the payroll sharing arrangement. Nikki moved to extend the agreement for an additional 5 years; seconded by Ron; carried.

COMPLAINTS

2011-1: The CPA spoke in court on the value of the company shares. A settlement was reached. There was no allegation in court of CPA misconduct. There was no objection to closing the case.

2011-7: There was no objection to closing the case.

2010-2: This is an ongoing matter being addressed by another party.

The group was informed of two other cases, as well as client-access issues.

OTHER MATTERS

The South Dakota Accountancy Board has supported the creation of a separate FAF board for private company standards. Jim reviewed the letter. The idea was raised of notifying licensees that the Board was not taking a position, etc. No action will be taken, although Rick encouraged individual comments.

NEXT MEETING: Friday, May 11, 2012; 11:30 lunch; 12 meeting at the Grand Forks Brady Martz office.

ADJOURNED at 2:56 pm.

Secretary

Date