

North Dakota State Board of Accountancy
Meeting Notes: January 25, 2013

Participants: Nikki Schmaltz, Rick Lee, Ron Johnke, Mandy Harlow, Jim Abbott, George Kelly & Faye Miller. The meeting began at approx. 12.

MINUTES (Nov. 16, 2012): Approved [motion: Faye; 2nd: Rick; carried].

FINANCIALS

Jim shared some comments on the financials, including a mention that vacation / sick time accrual levels have declined about 10%. There was discussion about why the budget shows a net income of -\$1700. Jim will check the investment account; the report balance differs slightly from the bank statement. The FICA and Federal tax payable accounts will be brought to zero at 12/31/12. The Dec. 31 financial statements and disbursements 14368 to 14420 were approved [motion: Rick; 2nd: Ron; carried].

OTHER BUSINESS

Three reinstatements were approved - U. Sheikh, R. Emerson (after CPE is complete), and J. Bushard [motion: Faye; 2nd: George; carried].

SB 2150 proposes to limit board member per diems. Jim will watch the bill and inform the Board; he may provide legislator names to the board, for contact, if the bill is passed out of the Senate. HB 1309 will eliminate reporting of agency paid dues, etc. If this bill is not passed, we'll need to check whether reporting is expected of our agency. SB 2232 changes definition related to services, and exempts business-to-business sales.

A letter was received regarding a NASBA position, there were no requests for a copy.

COMPLAINTS

Four cases were reviewed. There was no objection to closing all four (2012-2, 2012-3, 2012-4 [at Feb. 5, after checking the firm's website], and 2013-1 [at Jan. 31, unless the CPA doesn't provide returns as they committed to do]).

Jim reviewed the situation of a licensee disciplined by another state, and is now reactivated and has complied with the stipulated terms.

NEXT MEETING: Monday, May 6, 2013, at noon, at the Grand Forks Brady Martz office.

ADJOURNED: at 1:05 [motion: George; 2nd: Rick].

Date

Secretary

North Dakota State Board of Accountancy
Meeting Notes: **May 6, 2013. 12:00 noon**

Participants: Nikki Schmaltz, Rick Lee (by phone), Ron Johnke, Mandy Harlow, Jim Abbott, George Kelly & Faye Miller. The meeting began at 12:02.

MINUTES (1-25-13): Approved [motion: Faye; 2nd: George; carried].

FINANCIALS

Jim commented on a few balance sheet and income statement items, and reported on the remodeling project. He will check that the Society reimbursed the Board for ½ of the staff dinner costs. He will also check on the -\$929 miscellaneous income item and the YTD staff compensation accounts, and report back to the group. The financials and disbursements 14419 to 14481 were approved (contingent on Jim response on the questions raised) [motion: Faye; 2nd: Ron; carried].

2013-14 BUDGET

Various adjustments were made, the final approval will be in July. George and Nikki will serve on the Joint Compensation group, and have authority to commit the Board. Nikki will share compensation information with George that Faye collected last year.

SPECIAL PROJECTS

The question was asked if there were any special projects the Board would like staff to focus on. It was suggested that more information on national developments be shared with the Board. Jim will start sending the Board a copy of his AICPA meeting notes.

The group discussed the scanning of licensee files. It was agreed that we will change the retention period for various files, such that they will be shredded when the related data is added to the database. We will ask the firm that conducted a recent systems review if their work included access testing; if not, we will ask that they do so. The credit card firm that does testing of our office will be asked whether they include access testing.

PEER REVIEW AND CPE

It is renewal time now, and we will be requesting peer review confirmation of those firms who do not participate in the national Facilitated State Board Access database. All CPE forms are checked, with question items pursued. In addition a small-sample audit is conducted; results are very good.

There was discussion about the need for an outline for programs; it is a required feature.

REINSTATEMENT & ACCOMMODATIONS

There were 3 reinstatement requests: Rodney Williams, William Sailors, James Knoll. There were no objections. An exam candidate previously granted additional writing time would like a reader, as she has in college; we will pay for this service. Nikki had agreed

to an accommodation for another candidate, but it was not used. The Board is fine with the president handling such situations.

For reinstatements, we will continue to charge a current year license fee, even if close to year-end.

LEGISLATIVE UPDATE

Jim explained the Society's involvement in legislative matters, and that he identified a few issues of possible impact on the Board. He will need to check on the status and requirements of HB 1309.

RATIFIED DECISION

The group approved an earlier Board decision to support Jim's nomination for the Sachs Award [motion: George; 2nd: Ron; carried].

STAFF ISSUES

One staff member's time has been reduced 20%, without any replacement hiring. There are no current issues, although it may affect their assistance with special projects and new activities.

Work had been done in the past, examining the various office duties, and whether each area was adequately covered by other staff. There were a few uncovered areas, such as complaints.

NASBA EDUCATION EVALUATION SERVICE

We will revisit the question of approving this service. Jim will poll other states in the region about their experiences with the service.

COMPLAINTS

2013-2: No objection to closing.

2013-3: Questions will be posed of the firm owner.

2013-1: the client is waiting on 2 tax returns; we will close the file when they are received.

Jim reported on an issue he had pursued, though not a formal complaint; it has been resolved.

We will plan to invite representatives of a national financial coop and our legal counsel to join us in September. We will discuss the matter in July.

NEXT MEETING: July 29, 12 pm, at the Brady Martz office in Grand Forks.

AVAILABLE MATERIALS: Jim listed the PCAOB and legal materials that were available for review.

Nikki thanked Ron for his years of service on the Board.

The group discussed aspects of the newer generation.

Adjourned at 2:29 [motion: Ron; 2nd: George]

Date

Secretary

North Dakota State Board of Accountancy
Meeting Notes: **May 23, 2013. 11:00 am**

Conference call participants: Nikki Schmaltz & George Kelly in Fargo, Rick Lee, Ron Johnke, Jim Abbott, Faye Miller. The meeting began at approx. 11:10 am.

The purpose of the meeting was to address the work performance of Jim Abbott, in advance of the Joint meeting, next week. Jim left the meeting.

Nikki Schmaltz shared with the board information received from State Society President Len Splichal regarding the staff reviews of Jim Abbott.

The board reviewed Jim Abbott's performance for the state board. The review will be shared with Jim after the joint meeting with the State Society.

Nikki will have Jim Abbott contact the attorney as to the legality of bonuses to staff and Executive Director from the State Board.

Nikki informed the board that the board's share of retirement will increase 1% on January 1 and the health insurance premium will increase approximately \$100 per employee. The general consensus was that these increases need to be communicated to the employees.

The meeting adjourned approximately at 12:00.(Faye Moved, Rick Seconded).

Date

Secretary

North Dakota State Board of Accountancy

Meeting Notes: July 29, 2013 12 pm

Participants: Nikki Schmaltz, George Kelly, Faye Miller, Rick Lee, Pete Hoistad, Jim Abbott

The meeting began at 12:06, with a welcome to the new board member, Peter Hoistad.

OFFICER SELECTION

George nominated Nikki for president; seconded by Rick, and carried. Rick nominated George for Secretary-Treasurer; seconded by Pete, and carried.

MINUTES (MAY 6 and 23)

Approved by motion from Rick, second from George; carried.

FINANCIALS (June 30)

Jim will correct the payables account to \$10,000. He will check into obligations to use the Bank of North Dakota for credit card processing and the related checking account. We will start paying payroll taxes and retirement deposits on the payroll date. George moved approval of disbursements (14482 to 14576), and the financial statements; second by Pete; carried.

The group discussed the idea of changing the payroll agent to NDCPAS, which could reduce retirement and health insurance expenses. The new health insurance exchange plan rates should be available Oct. 1, and we can examine those options. Jim will pursue a PERS response about changing agents, and will check on the impact of leaving the defined benefit plan before retirement.

E.D. PERFORMANCE / COMPENSATION

The group met in executive session, with Jim absent. When he returned, comments were shared:

The pay scale is maxed out, and we can't really "grow the business", we just need to keep properly focused and the group concurs with the focus areas Jim had proposed; doing these well is imperative, though won't affect compensation. The group is comfortable with current compensation, and if savings are achieved in the payroll area (being explored), the group would be inclined to maintain a consistent overall pay package. Travel is a possible benefit not applicable to other staff. The group is happy with performance. One desired change is to not provide a "tentative conclusion" to complaints; Jim will change this approach.

The group will conduct a review of a sample of CPE forms in the future.

BUDGET 2013-14

The budget was approved, with adding \$5K in board expenses and \$2K in staff travel [motion: Pete; 2nd: Rick; carried].

FINANCIAL STATEMENT / NON-CPA FIRMS

Jim will notify AgCountry legal counsel that we are awaiting action on a related exposure draft before issuing a decision, and that we plan to alert non-public CPAs about current restrictions on CPAs issuing “plain paper” financials. A message will be issued to all in-state non-public licensees.

REINSTATEMENT: There no objection to reinstatement of Barimore Maring’s CPA certificate.

NEXT MEETING: Sept. 22 and Nov. 15 were set as possible meeting dates.

FIRM OWNERSHIP. A question was received as to whether corporate entities could own part of a CPA firm. We will seek guidance from legal counsel on the issue.

FOREIGN EDUCATION EVALUATION. Approval of the NASBA service will be deferred. We will require all applicants to obtain a NACES.org member evaluation of foreign education.

SYSTEM SECURITY. Jim had notified Board earlier that our computer system is quite secure.

COMPLAINTS

Case 2013-3: closed [Motion: Rick; 2nd: Pete; carried].

Case 2013-1: there was no objection to closing the case.

Case 2013-4: for information (staff handles these “use of accounting” cases, when the party agrees)

ADJOURNED: 3:09 pm [Motion: George; 2nd: Faye; carried]

Date

Secretary

North Dakota State Board of Accountancy

Meeting Notes: Sept. 26, 2013 8:30 am

The conference call meeting began at 8:32 am, with Nikki Schmaltz presiding; other participants were George Kelly, Faye Miller, Rick Lee, Pete Hoistad, Mandy Harlow, Jim Abbott

CONDITIONING EXTENSION

An extension request had been received, but is no longer needed.

ETHICS MATTER

Background material had been provided in the agenda packet, regarding a licensee's felony conviction. Details were reviewed. The CPA was certified in April 2000, involuntarily relinquished in Jan. 2006, reinstated in Nov. 2012. The conviction occurred in 2002. The CPA claimed to have repaid the funds, but actually repaid just \$3000. Comments included the uncertainty caused by that incorrect claim, the theft must have occurred over quite some time given the amount involved, even with personal life pressures, this behavior indicate a serious breach in moral fiber that is problematic to leave within the profession. There was question about how this was not caught in the reinstatement process. Faye moved to revoke the CPA's certificate; second by Rick; carried without dissent. If the licensee accepts the decision, it can be done without hearing; otherwise a hearing may be necessary. We will notify the Colorado Board, after verifying with legal counsel that this is acceptable; we will also notify the Accountants Licensee Database when appropriate.

PROCEDURAL CHANGES

Current application forms include self-disclosures regarding criminal offenses, but this is not the case for reinstatement requests. New applicants also supply reference statements. A board member cited their office practice of background checks in the applicant's recent resident locations.

A reinstatement application will be created, containing a self-disclosure similar to other applications, and with a background check permission check-off. The form will be reviewed with legal counsel. The annual renewal form will be revised, to add a declaration about convictions in the past year.

REINSTATEMENTS

Reinstatement was approved for 5 CPAs (Carol Spiller, Jay Olson, Pam Sather, Gary Cavett and Bruce Peterson), without the fee waiver requested by Mr. Cavett [motion: Pete; 2nd: Rick; carried].

Reinstatement was approved for Garret TenBroek, contingent on verifying that he is adequately licensed in South Dakota [Motion: Pete; 2nd: George; carried]. We will also inquire whether South Dakota uses the self-declaration process we are adding.

Reinstatement was also approved for Saroj Jerath, without the fee waiver requested [Motion: Rick; 2nd: Pete; carried].

BOARD NOMINEE STATUS

One of the board nominees is not currently licensed; Jim will notify him of the need to be a licensee

to serve on the Board. Depending on the action taken, the Board may decide to take added action.

A note will be added to the Nominations file and annual calendar re checking nominee qualifications.

Open meetings and records practices were reviewed.

ADJOURNED: at approx. 9:46 [Motion: Faye; 2nd: George]

Date

Secretary

North Dakota State Board of Accountancy

Meeting Notes: Nov. 15, 2013 12:00 pm

The meeting began at 11:54, with Nikki Schmaltz presiding; other participants were George Kelly, Faye Miller, Rick Lee, Pete Hoistad, Mandy Harlow, Jim Abbott

MINUTES (7/29/13 and 9/26/13)

Approved as presented [Motion: Faye; 2nd: Pete; carried].

FINANCIALS

The stipend payment had already been booked to expenses, so board expense is over by \$10K.

Director liability protection is provided under the state nonprofit statute, even with compensation of at least \$10K. Jim will check that there is D&O coverage provided for the Board members. He will deal with the .17 amount in the retirement account, and notify the board why benefits are over budget. Expenses were approved (checks 14577 - 14691-EFT) [Motion: Rick; 2nd: Pete; carried].

FOREIGN EDUCATION EVALUATION

The NASBA evaluation service will be an approved vendor [Motion: Faye; 2nd: Rick; carried].

REINSTATEMENTS

The following were approved for reinstatement: Anthony Reinhardt, Steven Neff, Robert Lunski, Michael Seifert, Tom Ribb, James Bowen, Laura Savelkoul, Todd Zimmerman [Motion: Pete; 2nd: George; carried].

We will conduct a national criminal background check on reinstatement applicants, other than those only a short time ago relinquished.

A CPE extension was granted for David Hoverson, to Dec. 31, due to medical issues (18.5 hours) [Motion: Pete; 2nd: George; carried].

We will use the South Dakota application questions as a guide for our applications.

PROCEDURES REVIEW

Jim reviewed current procedures related to peer review, transcript review, firms entering the state, and FAQs. In the future, we will request the peer review report and the LOA.

AUDIT OF APPLICATION PROCESS

Pete conducted a review of applications (original, SE, etc.) - a 10% sample. Jim will bring a copy of his report to the Board for review. We will add a check of the education completion status, when applicants file a 1 year re-application.

Email details need to be changed on the website, for Nikki and Rick.

COMPLAINTS

Case 2013-5 was closed. [Motion: Faye; 2nd: Pete; carried].

Case 2013-6. There appears to be a quality issue - an income item (25% of total income) was shown as income, but probably should have been questioned; although the client also has responsibilities. There is concern about client treatment, and a letter will be issued to the CPA, offering opportunity to explain, by 12/31; the letter can indicate our having seen the client correspondence. The letter will be drafted by Jim, reviewed by Rick, and signed by Nikki.

Case 2013-8. We will require a \$1000 fine, a 1-year probationary period, and participation in 8 hours of specified ethics CPE [Motion: Rick; 2nd: Faye; carried].

Case 2013-9. Legal counsel indicated that there was no issue related to the subpoena use. The allegations of inappropriate behavior were considered subjective by legal counsel. Pete suggested that there likely was no inappropriate behavior. There was no objection to closing the case.

We will not move forward without further evidence.

UNWRITTEN CONCERNS

Rick will check with WSI about their procedures; perhaps they can share improper CPA behavior.

On another matter, Jim will contact the complainant in approximately 2 weeks, and encourage filing of a formal complaint if one has not yet been filed.

MULTIPLE EXAM ATTEMPTS

Jim shared information about a case of multiple writings; no action was taken.

POTENTIAL LAW CHANGE

We will hold this issue (prohibiting use of AICPA standards references) in a pending file.

PAYROLL AGENT CHANGE

This issue will be table for the time being. It could be addressed in the Spring joint session with the Society. Perhaps employees could be asked to pay a portion of health insurance premiums.

OTHER ISSUES

Rick shared an email related to Case 2013-6.

Pete raised the idea of providing guidance to the Society Nominations Committee and perhaps the Governor' Office, about the skill sets needed in the next Board member. The issue will be added to the agenda file, to consider in March, and communicate with the Nominations Committee.

Other comments included no longer automatically re-nominating the two not selected by the Governor's Office, and having a checklist or application for nominees to complete.

Jim was cautioned about suggestions to complainants that could be taken as board positions.

Pete will select a 5% sample of licensees declaring CPE; these will be sent to the Board for review.

NEXT MEETING: Feb. 7th at noon; 11:30 lunch.

ADJOURNED: at approx. 3:40. [Motion: George; 2nd: Rick].

Date

Secretary