

North Dakota State Board of Accountancy

Meeting Notes: Feb. 7, 2014

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

MINUTES (11-15-13): Approved [motion: Faye ; 2nd: Pete; carried]. Jim mentioned a spelling error.

FINANCIAL REPORT

Jim and George shared comments. Funds will be moved out of checking. The financials were approved [Motion: Pete; 2nd: Rick; carried].

CPE FORM SAMPLE

The group addressed a question which arose with one of the board-reviewed CPE forms - the class taught was quite basic. It is not current practice to ensure that those moving into public practice have taken relevant recent CPE. There is concern with the "lightness" of some of the CPE that is being taken. Also raised were the level of attentiveness in CPE classes, and that perhaps pre-approval should be considered. NASBA has a task force that will be addressing CPE. Pete moved to take no action on the specific case; 2nd: George; carried. We will notify the CPA involved. Jim will suggest a discussion point for the June NASBA meeting: how specific are state CPE requirements (do they check for practice-relevant CPE, use self-study limits?); he will suggest a related quick poll so that information is on hand.

REINSTATEMENTS

Reinstatement was approved for David Lakefield, provided the firm permit is also reinstated [Motion: Pete; 2nd: Rick; carried]. Reinstatement fees will be expected for firm and individual; (Jim will seek legal guidance if the regulation is unclear). Another applicant was deferred until a background check is completed [Motion: Pete; 2nd: Faye; carried]. Reinstatement was approved for John Anderson, pending background check [Motion: Pete; 2nd: George; carried].

SPECIAL EDUCATION SITUATIONS

A pending application includes some coursework in pursuit of a foreign credential. It was agreed that professional association education programs will not be considered as college credit [Motion: Rick; 2nd: George; carried]. We will notify the applicant of the denial, due to this policy. Another applicant was seeking college credit for military education that was not approved by a college. The added credit was denied, but it was suggested the applicant contact their employer about possible internship credits as a solution for the credits needed [Motion: Pete; 2nd: Rick; carried].

COMPLAINTS

Case 2013-6. A board member reported to the group, indicating that both parties seemed to be at fault, various concerns were raised, and the CPA believes he acted properly and that the client is trying to punish him; there doesn't appear to be any substance with which to act against the CPA; in addition it appears that the CPA is leaving the profession. A motion passed to notify both parties that the Board has reviewed the matter, and will not be acting in the case [Motion: Pete; 2nd: Faye; carried].

A company has been noticed using the term "agaccounting"; legal counsel will be asked to contact the entity about the use of this term.

PCAOB REPORTS

PCAOB review reports of two state-based firms were reviewed by a board member. Rick reported on the Widmer Roel documents, Nikki on the Brady Martz documents. The PCAOB reviews differ from those of the peer review program, in that there is no opportunity for the firm to explain the rationale or professional judgment behind an action. A peer reviewer discusses the findings, so they have a chance to understand the process involved.

NEXT MEETING: Friday, May 30, at noon.

ADJOURNED at 1:35 [Motion: George; 2nd: Pete].

Secretary

Date

N.D. STATE BOARD of ACCOUNTANCY

Meeting Notes: June 2, 2014

The meeting began at 12:03. In attendance: Nikki Schmaltz, George Kelly, Peter Hoistad, Mandy Harlow, Jim Abbott, by phone were Rick Lee and Faye Miller.

MINUTES. The Feb. 7, 2014 minutes were approved (Motion: Pete; 2nd: George; carried).

FINANCIAL REPORT (April 2014)

Jim shared a few highlights. The financial statements and disbursements (14746 though 14848) were approved (Motion: Pete, 2nd George; carried). George commented on a late meeting registration fee paid to NASBA, and inquired about a couple of staff payments.

Pete and Nikki will represent the Board at the June 2 Joint Meeting (Motion: Rick; 2nd: George; carried).

PERFORMANCE / COMP.

Jim and Mandy left the meeting, and the group discussed staff comp. matters. The board reviewed Jim Abbott's performance, and discussed his salary and benefits package. The pay scale is maxed out and the Board can't really anticipate any areas that he could provide increased value warranting an increase in salary or a bonus. The group is comfortable with the current compensation and benefits package. The board also discussed the staff performance, and is happy with the staff. The board will consult Jim on the methodology used for salary increases and performance bonuses. Jim returned and explained the methods behind his recommendations. Jim mentioned that without some adjustment, one goes backward when considering inflation, and if a change wasn't possible, perhaps additional vacation would be possible. He invited input whenever the group would like him to make changes or focus in specific areas.

Mandy returned to the meeting.

NOMINATIONS INPUT

The group felt that the 2015 board position should be a smaller firm practitioner, perhaps with audit & tax experience, perhaps on the younger side. It will be Faye's 1st term that is ending, and she is eligible for reappointment. Pete and Nikki will share input with the NDCPAS Nominations Chair.

BUDGET (2014-15). Jim presented the budget; approval will await the next meeting.

REINSTATEMENTS

Reynaldo Correa was approved (Motion: Pete; 2nd: George; carried). A second applicant will await a background check. Staff should conduct background checks on all reinstatements.

SPECIAL APPLICATIONS

There were four applications involving such infractions as DUI, and reckless driving. The group discussed how to handle various infractions, and the possibility of requiring background checks of all applicants. Jim will inquire how other states deal with this matter, and bring details and a proposal to the next meeting. The four applicants were approved (Motion: Pete; 2nd: Faye; carried).

OTHER ITEMS

We will continue monitoring repetitive test writing situations.

A plaque was presented to George Kelly, in recognition of his board service.

The next meeting will be July 23, at 1:30 pm, by conference call.

COMPLAINTS / DISCIPLINE

The Debra Jean Brown certificate will be revoked, and 2013-14 license fee refunded on receipt of the certificate (Motion: Faye; 2nd: Pete; carried). We have asked legal counsel whether the Board can act against a licensee involved with felony-related action. A civil case involving a licensee was discussed; the Board will notify the CPA that it has become aware of the action, has concern about the case facts, and inviting the CPA to respond with additional information; the letter will be signed by the Chair.

The meeting ended at 2:28.

Secretary

Date

N.D. STATE BOARD of ACCOUNTANCY

Meeting Notes: July 23, 2014

The meeting began at about 1:30. In attendance: Nikki Schmaltz, Rick Lee, Mike Schmitz, Faye Miller, Peter Hoistad, Mandy Harlow, Jim Abbott, Len Splichal, Patrick Kautzman

PAYROLL AGENT CHANGE

Jim reviewed the staff discussion guide included in the agenda packet. The guide will be revised and shared with Patrick and Pete for review. Jim will then visit with staff.

COLA ADJUSTMENT

An additional 1% COLA was proposed by the Society; the group was agreeable with the change. Patrick and Len left the meeting.

OFFICER SELECTION

Faye Miller was selected president [Motion by Pete; 2nd: Rick; carried]. Pete was selected Secretary [Motion: Nikki; 2nd: Mike; carried].

Jack McDonald joined around 2 pm. He mentioned that the group is not obligated to follow the judge's action.

COMPLAINT 2013-8

The subject of the complaint joined the meeting, and provided history and explanation about the matter, including that he was trying to avoid any client confidentiality issues that might have arisen. The complainant had tried to run the firm, and eventually the CPA removed him from the accounts, moved money out of the firm, and filed for separation. The CPA didn't want the complainant to have access to SSNs and names, but did regularly provide financials and check registers.

There were no Board questions, other than about whether the ethics CPE was completed yet; it has not.

The CPA left the meeting. Jack McDonald stated that the Judge cited other cases, because of the duty to fellow shareholders; it was not a CPA issue.

The appeal process is available to contest a decision considered incorrect. The CPA did act unilaterally, and isolate the other shareholder, though perhaps he prevented a problem from occurring.

The Board agreed to amend CPE completion and fine payment as due 9/30 [Motion: Pete; 2nd: Nikki; carried]. Pete will check into an appropriate ethics CPE option. Jack left the meeting.

BUDGET 2014-15

Jim briefly reviewed the budget, and it was approved [Motion: Rick; 2nd: Pete; carried].

LEGAL ISSUES / BACKGROUND CHECKS

Jim reported on information gathered on other states' practices and 3 recommendations -

1. Conduct a criminal background check of reinstatement applicants, when it has been at least one year since they were licensed with this Board. For all other applicants, conduct a cursory web screening for legal issues.

2. Amend the self-disclosure sections on each application form, to focus the reporting of legal issues (Exam, Exam re-app., Reinstatement, Reciprocal & Grade Transfer).

3. The Board will address all infractions disclosed - i.e. felonies or any crime involving theft, dishonesty or fraud.

There were no objections to using these practices.

REINSTATEMENTS & APPEAL

Four reinstatements were approved (John Mareck, Barbara Hoffman, Michael Tobiason, Valerie Ndje-Nlend) [Motion: Mike; 2nd: Pete; carried]. An appeal was shared, to allow professional credential coursework to count toward the education requirements. This applicant has been accepted into a graduate program (perhaps on the basis of the credential coursework). Also, UND is willing to accept such credits if evaluated by a service. However we don't know what, if any, guidance UND gives evaluators. No change was proposed to our policy.

NEWSLETTER

The group discussed the idea of producing a newsletter, which NASBA would design. We now have access to the NDCPAS newsletter, and have a full website. There was some reluctance, and no action was taken. .

MINUTES. The June 2, 2014 minutes were approved (Motion: Nikki; 2nd: Pete; carried).

NEXT MEETING: Oct. 24, noon, at Brady Martz, in Grand Forks.

NASBA VOLUNTEER SERVICE

We will no longer fund NASBA volunteer activity [Motion: Pete; 2nd: Rick; carried] (applies to Board & staff).

COMPLAINTS

2014-2. The group agreed to revoke the CPA's certificate in light of thefts [Motion: Mike; 2nd: Pete; carried].

2013-10. There doesn't appear to be an infraction; no further action will be taken, other than notify the CPA.

Mandy left the meeting.

2013-7. The CPA indicated that their certificate was lost in a fire; there was no objection to a fee refund.

GOVERNOR VISIT

Meeting with the Governor was mentioned, but this will not be pursued until we have an issue to address.

Jim will notify the group before registering for NASBA meetings. The meeting ended at 3:47

Date

Secretary

N.D. STATE BOARD of ACCOUNTANCY

Meeting Notes: August 7, 2014 2:30 pm (conference call)

In attendance were Faye Miller, Nikki Schmaltz, Rick Lee, Peter Hoistad, Mike Schmitz and Jim Abbott.

Case 2013-8

It was understood by most that the accountant would be placed on a 1 year probation, in addition to paying a \$1000 fine, and completing specified CPE.

The Board's action is open to the public, but it was the sentiment of the group to not publish the discipline - either locally, or on the website or NASBA Accountant Licensing Database.

The meeting ended at approx. ____.

Date

Secretary

N.D. STATE BOARD of ACCOUNTANCY

Meeting Notes: Oct. 24, 2014 9 am

The meeting began at 8:50 am. Participants were: Faye Miller, Pete Hoistad, Mike Schmitz, Rick Lee, Nikki Schmaltz, Ken Bishop, Dan Dustin, Mandy Harlow and Jim Abbott

Ken Bishop and Dan Dustin addressed various NASBA and accounting matters, including:

- NASBA U provides an orientation for board staff
- NASBA provides a foreign education evaluation service
- Whenever the Board faces a challenge, it can call on NASBA for assistance
- Florida has found itself having to accept "life credit" education, due to it being offered by an entity that is accredited by an accepted agency
- A couple of states had removed their educational requirement, in one case by accident
- A few states have passed provisions allowing for "nano-learning" (10" units); NASBA has concern about enacting such changes before the UAA has been revised.
- Current issues include firm and North American mobility. North Dakota could be a pilot in this arena. There is a fair amount of Canada-U.S. business activity, but serviced through Manitoba CA connections. With mobility, clients could be served by the same accountant, and it would remove the risk of violating laws of the other jurisdiction.

The repair regulations were raised, and the possibility of our having future complaints about accountants not filing as needed (declaring an intent to follow the law).

NASBA will opine on the audit quality paper; they have some concern, but there is much positive in the paper. Editing has already been done.

Some candidates who do not speak English have taken a review course and been able to pass the Exam. [However, this may be a matter of limited verbal skills, yet adequate English reading ability].

A point was made about the paper test format involving characteristics not present in the computer format.

Also mentioned was the argument that "entry level skills" needed in a large firm would be different than those in a smaller firm or as a sole practitioner. Dan and Ken departed at about 10:10 am.

MINUTES (7/23/14; 8/7/14)

These were approved [ending time of 8/7 minutes should be 3:17], on motion by Pete; 2nd: Mike; carried.

FINANCIAL MATTERS

The income statement and balance sheet will be reprinted and sent to the members.

Disbursements and the financial statements were approved [Motion: Nikki; 2nd: Rick; carried].

The audit report (6/30/14) was accepted [Motion: Pete; 2nd: Mike; carried]. The Board share of any unfunded pension liability will need to be disclosed and booked next year.

A motion was made to authorize updating of all signature cards (listing the Treasurer and E.D.), and to authorize all related resolutions (they are to be ratified by the Board); [Motion: Pete; 2nd: Mike; carried].

REINSTATEMENTS

The following reinstatements were approved: John Testa, Carter Broton, Twylah Blotsky, Timothy Taylor, Catherine Lundberg, and LuAnn Milner [Motion: Nikki; 2nd: Pete; discussion; carried]. There are two in-state firms among those licensees not renewing, which is an issue for peer review, and will be public record.

An Exam candidate had requested an extension of conditioning time, in light of a medical matter. The candidate will be asked to let the Board know where things are in mid-2015; considerable time is still remaining on her current conditioning.

EXPOSURE DOCUMENTS

There are documents open for comment, relating to CPA Exam changes, and Audit Quality measures. We will not be commenting as a Board. Issues that have arisen with the DOL and GAO are felt to be tarnishing peer review and self-regulation, but in some cases, the issues cited are very immaterial. There is potential for agencies to take over the firm review process.

NEXT MEETING: Jan. 23, 2015 (11:30 lunch; 12 pm meeting). Pete offered the firm's video conferencing.

Jim reported that the idea of changing payroll agents was not favored by the other staff members.

COMPLAINTS

2013-8. Background was shared. The complainant will be offered a 45" block in the next meeting. Legal counsel will be asked to connect remotely.

2014-2. Revocation will be pursued.

2014-1. One company website has a disclaimer; the other does not. This case will be further worked.

Cases involving advertising issues and holding out without a state certificate will be handled by staff, and shared with the Board.

2014-3. This case is not completed. The reference to CPA (website hosting or platform) is not desirable, but may not be curable, but a disclaimer could be used to clarify.

A licensee had raised concerns with the handling of complaint, but has since withdrawn the matter.

CONTINENTAL MOBILITY

The group discussed this issue which had been raised earlier by Mr. Bishop. Comments included:

- learning another country's tax law doesn't make sense, although compilations could be done in the U.S.
- such a system would remove the risk of a CPA inadvertently breaking a law
- is this a step toward one North American credential?
- it may help with recruiting
- it's unclear how much activity we have within the state
- for ND licensees, what are the upsides and downsides?
- we could ask what being a pilot state would mean to us
- we could meet with Canadian regulators; but we want to have NASBA involved.

We will notify NASBA we are interested in exploring the issue, with NASBA leading the effort. We first need to know about the process and the "end game" (what problems is this solving?). Jim will explore what occurred with WA, who had explored this same issue.

Adjourned at 12:30 [Motion: Pete; 2nd: Mike].

Date

Secretary