

N.D. STATE BOARD of ACCOUNTANCY

Meeting Notes: Jan. 23, 2015

The meeting began at approx. 12 pm. Participants were Faye Miller, Mike Schmitz, Pete Hoistad, Nikki Schmaltz, Rick Lee, Jim Abbott, Mandy Harlow.

MINUTES (Oct. 24, 2014) were approved [Motion: Rick; 2nd: Mike & Nikki; carried].

FINANCIAL REPORT (12-31-14) - were approved [Motion: Mike; 2nd: Pete; carried].

Pete reported on his oversight role, indicating he receives bank statements, received a full GL report and had noticed a coding error to be fixed.

REINSTATEMENTS

The Khalil Muhammad application involves a foreign background evaluation and extra fee; the candidate will be asked to cover the fee (after checking with legal counsel), though we will cover one report already initiated). We will use this applicant-pay policy with future applicants.

Reinstatement was approved for Arlene Erdahl, Karmen Freeman, Evelyn Nagel and Joel Scheving [Motion: Pete; 2nd: Nikki; carried].

SPECIAL APPLICATION SITUATIONS

A request had been received and approved (with consultation with 2 board members) for added break time due to being a nursing mother [H. Brink]. Staff will have discretion to approve such cases in the future [Motion: Mike; 2nd: Pete; carried].

An application [J. Stevens] had an omitted item, but the applicant provided an explanation; the application was approved [Motion: Pete; 2nd: Mike; carried].

Another application [J. Kill] had omitted items; we will hold on approving this application, pending receipt of more information.

An application [S. Gujjar] had been denied by staff based on a foreign evaluation. Allowing 3 Econ. credits for a commercial banking class (after consulting with Dr. H. Wilde), the applicant was short 3 credits. He wanted to be allowed 6 credits; the Board did not approve.

An applicant's evaluation [M. Devan] indicated that 7.5 accounting hours were entry level and therefore not counted; the applicant disagreed; the application was denied [Motion: Nikki; 2nd: Pete; carried].

MN School of Business credits are allowable by the MN Board of Accountancy, but are not accepted for transfer by UND or UM - St. Paul. We will not allow the credits. We allow Northland Tech. College credits in general education, but not the concentration; in this case UND accepts the credits in transfer.

CONTINENTAL RECIPROCITY

We have notified NASBA that we want them to take the lead on this project. However, we will prepare a survey of firms, circulate the questions among the board, and conduct an online survey of firms, to assess interest in having the mobility prospect pursued. It was mentioned to include a caution about work being taken on only when there is adequate training. Jim will check legal counsel re. gathering Board input by mail, about the survey wording.

PEER REVIEW CHANGES

Jim explained the administration of the current system - Society management, Board staff collects documents through the FSBA or the firm. The PR chair has met with the Board in the past. Concern was expressed about the future - the potential of PR becoming more punitive and regulatory, and there being fewer reviewers.

NEXT MEETING: April 24, at noon, in GF.

COMPLAINTS

2014-4. We will await the results of an inquiry in process through another agency.

2014-5. This case was considered to not be outside the purview of the Board.

2013-8. The complainant will be asked to supply documentation of his 3 claims, which will be circulated to the Board. He will be offered time during the 4/24 meeting, and will be asked about the outcome he is seeking (if financial, the Board does not have such authority).

2014-2. The accountant's certificate has been revoked.

2014-3. The website now includes disclaimers, and the "CPA Solutions" name is not included.

2014-1. The website now includes a disclaimer; they indicate intent to use one in future advertising.

2014-6. The individual has obtained ND licensure.

2014-7. The individual has signed indicating intent to not provide services until licensed in ND or MN. We will notify the MN Board.

Jim reported that he had directed a party writing about California firms to the CA board. He reported also on lists received from NASBA (PTIN holders claiming to be CPAs, and EBP audits of ND clients], and the related staff work.

2014-8. We will write to the individual, indicating we saw them associated with "CPA", inquire about services he is providing, and recommend adding the term "former" to the term "CPA" in his online bio.

LEGISLATION

Jim commented on his legislation review for the Society, which also identifies bills that relate to the Board. He will check with NASBA about related service they provide.

DOCUMENTS AVAILABLE

Jim commented on the PCAOB materials available for review, including 4 not listed in the agenda.

ADJOURNED at 2:10 pm.

Date

Secretary

North Dakota State Board of Accountancy
Meeting Notes: 4-24-15

The meeting began at 11:58 am. Participants: Faye Miller, Pete Hoistad, Nikki Schmaltz, Mandy Harlow, Jim Abbott, by phone: Rick Lee, Mike Schmitz.

MINUTES (1-23-15). Approved [motion: Nikki; 2nd: Pete; carried].

FINANCIAL REPORT (1/1/15 - 3-31-15; checks 15061 - 15136). Jim will check that a replacement bonus check was handled properly. Mike moved approval; 2nd: Nikki; carried.

2013-8. Discussion re. handling of the upcoming visit; time will be limited, unless new information is provided.

REINSTATEMENTS.

All reinstatement applications were approved (Khalil Muhammad, DeeAnn Thompson, Kenneth Viall, Eric Fugleberg, Michael DeWall, Anwar Aziz) [Motion: Pete; 2nd: Mike; carried].

SPECIAL APPLICATIONS.

The Justin Kill application was approved [motion: Peter; 2nd: Nikki; carried]. Omar Graham had requested a class be counted in the accounting concentration; the Board did not grant the exception.

Attorney Jack McDonald joined the meeting and was briefed.

2013-8. The complainant joined the call, and was invited to share non-litigated issues, and the desired outcome. Three concerns were cited and discussed: fraudulent invoices, false claims about ownership, and dissipating company reserves in use as loan collateral. Rick left the call during this segment of the meeting. Faye indicated the board understands the harm, and does not take CPA error lightly, and will address the matter. The complainant left the meeting.

Jack stated that nothing had been raised that wasn't part of the trial to some extent. Why some things were not addressed is a legal issue, and both parties had good legal counsel. An appeal was the opportunity to bring up other issues. Other comments among the group included: the transactions at issue are not obvious fraud; in private business things aren't always well documented; the parties could have had differing understanding about what "5%: meant, and when it became obvious, future filings were changed.

No further action will be taken against the CPA [motion: Mike; 2nd: Nikki; carried].

Jack will issue a letter to the complainant; Jim will send meeting minutes to Jack this weekend.

MOBILITY

Jim reviewed the mobility survey results. A law change seems necessary, in order to implement international mobility. The definition of "state" could be broadened to other countries, and the recognition process could be made more locally-controlled. Jim will add these matters to the agenda file, for consideration in Spring 2016.

Removing the IQEX requirement would facilitate reciprocity, but this will not be pursued.

COMPENSATION TEAM

Faye and Mike will serve on the Joint Compensation Committee. The group discussed the process.

The Board will discuss the issues in advance of the joint meeting, without staff present.

NOMINATIONS

Group discussed the makeup of the Board..We want the tax, audit and accounting disciplines covered among the Board, as well as the non-public sector, and we would want to avoid concentration in a single firm.

We will share input with the Nominations group, in connection with the joint meeting.

NASBA U. Mandy reviewed the meeting, and mentioned using just two international education evaluators – FACS and NASBA [approved on motion by Pete; 2nd: Mike 2nd; carried]. This will be effective for initial applications received after June 1.

Jim will include the Application Audit report in the next board meeting packet.

EDUCATION CHANGES

Jim reviewed proposed changes that would simplify the educational interpretations in use. The issue was deferred to the next meeting. Further work will be done, such as learning how other states address the matter, and considering the “rubric-only” and a “rubric + title” approach.

Faye indicated she had submitted her name for a NASBA at-large board role.

NEXT MEETING: May 22, 10 am by phone.

The joint meeting team will then have authority to make commitments on behalf of the board.

SUBSEQUENT MEETING: July 22, 12 pm, in Grand Forks.

COMPLAINTS

The group discussed the question of board responsibility when aware of an issue of concern. An affected party may submit an anonymous complaint, and there is one currently in process. No concerns or questions were raised with the files closed by staff, or those that remain open.

UNUSED CANDIDATE FEES

Jim notified the board that unused exam fees could be requested paid to the board. We will ask for these funds going forward, and the last 2 years, and also inquire about how far back those fees could be refunded.

ADJOURNED: 3:12 pm.

Date

Secretary

N. D. State Board of Accountancy
Meeting Notes: 5-22-15 10 am (conference call)

Participants: Faye Miller, Peter Hoistad, Nikki Schmaltz, Rick Lee, Jim Abbott

COMPENSATION

Jim shared his approach to determining proposed compensation for the staff, and also provided information about the benefits program. He left the meeting at about 10:20. The board meeting continued, and those members on the call concurred with Jim's proposals for staff compensation with the exceptions of the following: C. Holte - the revised opportunity for a potential mid-year adjustment = 5%; M. Harlow - the revised increase at July 1 = 3%. This is due to additional duties that have been taken on due to the supervision of C. Holte, and additional knowledge in her position. The Board also discussed Jim's compensation.

The board members reiterated that it is of utmost importance to the State Board to protect the public interest and ensure that people entering the profession and practicing are qualified. For this reason, we request that Mandy continues to be involved in the assessment of the applications and continuing education.

Date

Secretary

The meeting began at 11:41 am. Present were: Faye Miller, Mike Schmitz, Nikki Schmaltz, Rick Lee, Pete Hoistad, Jim Abbott and Mandy Harlow

OFFICERS. Faye was selected as president [Motion: Pete; 2nd: Rick; a subsequent motion for a unanimous ballot made by Pete; 2nd by Mike and carried]. Pete was selected as Secretary [Motion: Nikki; 2nd Rick; carried].

FINANCIALS. Some meeting expenses will be coded as payable. Jim will check and notify the group about a \$280 rent entry. The financials were accepted, pending audit adjustments [Motion: Mike; 2nd: Pete; carried].

FOREIGN EVALUATION. Joshua Haastrup met with the group during this section. He hadn't filed an application form by the June 1 (when two agencies are now acceptable for foreign evaluations), but he had started the process. He was granted an exception specific to his situation [Motion: Pete; 2nd: Rick; carried].

SECRETARY OVERSIGHT. Pete reported having examined the GL, and sending questions to Jim.

ASSET POLICY. Jim will bring to the group a policy for asset capitalization, if there is not one on hand.

AUDITOR SELECTION. Overmoe Nelson was approved as the Board auditor [Motion: Pete; 2nd: Mike; carried].

UNUSED EXAM FEES. Unused fees will be requested from NASBA, as soon as possible; it will be policy to not refund any examination fees [Motion: Pete; 2nd: Mike' carried]. The impact for the Board budget will be more meaningful than that of NASBA. Peter will sign the related letter.

FOREIGN EVALUATIONS. 5 requests (to allow a foreign education evaluation from a non-approved vendor) were denied (Donglan Qui, Xingrong Hao, Qin Wen, Na Lin, Jayashree Venkatachalapathy); there were no applications on hand [Motion: Nikki; 2nd: Pete; carried]. A request from Suchandra Goswami to accept additional business credits was denied [Motion: Nikki; 2nd: Pete; carried]. A request from Al Ismail for an Exam waiver was denied [Motion: Pete; 2nd: Rick; carried].

CPE FORM AUDIT. Forms will be selected randomly, later in the year, and sent to the Board for review.

MINUTES (April 24 and May 22). Approved [Motion: Rick; 2nd Nikki; carried].

APPLICATION AUDIT

Pete commented on his applications review. There was one case where the scanned file lacked a form ?????

NDCPAS PEER REVIEW. Mary Jo reported on the Society's peer review administration. There was one ND firm that didn't report all of their work areas; they underwent a new review.

Mandy had prepared a report on 2015 firms. There was discussion about how to deal with firms with non-pass reviews. A list of non-pass firms will be prepared for the next meeting; for those with failed reviews, more immediate information will be obtained. There was sentiment that there should be a stronger impact when a firm fails peer review. Perhaps verification should be obtained to ensure a firm has actually discontinued those areas of work it had committed to.

EDUCATION CHANGES. Various changes were made in how concentration credits are evaluated. We will obtain guidance on whether an SSN / resident alien card / ITIN requirement could be enacted. We will also seek information on the experiences of other states making such changes.

CPE CHANGES

The Society plans to examine CPE rules in light of national changes; an official delegate was not appointed.

INTERNATIONAL MOBILITY. No further action will be taken. NASBA can take the lead.

We will ask that NASBA not send its diversification letter to the Governor, as it is not considered necessary.

NEXT MEETING: Nov. 6; 12 pm.

EXPERIENCE. The group discussed the requirements of law and rule. This subject will be filed as a potential future rule change area. There was sentiment that the full 2000 hours involve actual accounting & similar work, rather than the "majority".

PUBLIC MEMBERS. Nikki raised the question of having public representation on the Board. In Kansas, the Board has 5 CPAs and 2 public members, who must be involved in the financial arena, connected to the profession. There was some disagreement about whether this is a good idea.

COMPLAINTS

No action will be taken with case 2014-4 at this point.

Pete reported on 2015-3. The firm responded to our inquiry. The Native-owned issue is probably outside our purview. A CPA does own the majority of the firm. The firm has a minority owner who joined in Jan. 2014, who did some internal auditing work, but was employed by the Tribe, who made him available for consulting with the Districts; but districts and the tribe are separate entities. The audits involved would have had overlapping time frames, but different entities. The CPA firm has not issued financial reports; but has issued forensic-type reports about problematic activities. Pete judged that we have no evidence the firm acted inappropriately; though additional care is needed in some areas. The case will be closed [Motion: Rick; 2nd: Nikki; carried]. Another matter was addressed (2014-9), and the party has applied for a firm permit, and reciprocal certificate. The issue won't be returned to the Board.

EVALUATION. Mandy and Jim left the meeting; Jim returned later, and the group shared performance comments with Jim, indicating they are very satisfied with his work. Though salary won't change, the health costs have risen, which represents a comp. increase. Jim invited the group to share any desired changes. He will prepare a draft of goals for the next year.

ADJOURNED at 3:59 pm.

Date

Secretary

Start time: 10:47. Participants: Nikki Schmaltz, Rick Lee, Pete Hoistad, Faye Miller, Mandy Harlow, Jim Abbott

MINUTES (7-22-15). Approved (Motion: Peter; 2nd: Rick; carried).

FINANCIAL. Jim will check whether Board funds can be invested in other vehicles, such as a Bank of ND fund. July to September expenses were approved (Motion: Peter; 2nd: Nikki; carried).

The June 30, 2015 audit report was approved (Motion: Nikki; 2nd: Rick; carried).

A capitalization policy was approved (expensing expenses under \$500 (Motion: Rick; 2nd: Nikki; carried).

VACATION POLICY. Faye will visit with Society leadership about adding another vacation step.

RESIDENCE. Legal council is negative about trying to obtain a residence requirement, and Jim recommended it not be pursued. The board's issue is requiring residence for licensure, not for writing the CPA exam. Jim mentioned that the interpretations file is up to date. He will visit with NASBA about foreign applicant licensing and ability to protect the public.

EXPERIENCE VERIFICATION. Beginning April 1, 2016, experience is to be verified by a CPA (or an accountant holding one of the IQAB-recognized credentials). Verification could be from a CPA who investigates and certifies the work. Changes were suggested in the experience form: bold type to emphasize the required work areas, adding a perjury reference, and including the credentials that qualify as verifiers.

RETIRED STATUS. "No longer employed" is not considered to limit volunteer work, only paid work. The term "may not practice" will be construed as not providing work involving A & A skill, etc., as the law's definition of practice indicates.

CGMA. A disclaimer will be expected of non-CPAs who use the CGMA title in a public venue.

FINES. Jim reported on his inquiry of legal counsel. The Board has fining authority up to \$1000; legal counsel suggested that fines be in the \$250 - \$500 area. There is interest in increasing the current fine authority.

REINSTATEMENTS / SPECIAL SITUATIONS

1. Reinstatement was approved for Kjersten Larson, Cheryl Hagen, Steven Roth, Paul Maddock, Yan Chen, Sophia Ali [Motion: Nikki; 2nd: Pete; carried].

2. Exam credit (REG) was extended 1 year, for Aurelia Schreiner, due to a health matter [Motion: Pete; 2nd: Rick; carried].

3. Four classes with a non-accounting rubric were approved, for Mohamed Aalen [Motion: Pete; 2nd: Nikki; carried] and Amit Jain [Motion: Pete; 2nd: Rick; carried].

4. Cliff Huebner had applied to write, but was disallowed [Motion: Pete; 2nd: Rick; carried]. Legal counsel is to prepare a letter for the president to sign.

5. A licensee with legal issues is to be contacted and given opportunity to explain the situation.

6. The Board agreed to a \$1000 fine, and revocation (until CPE is complete and MN certificate reinstated) - for Bruce Keller. Legal counsel is to send the correspondence [Motion: Rick , 2nd: Nikki; carried].

7. The Board was informed about a previous applicant who continues to write, and has requested board email addresses and the Governor's name. A "closure" message has been sent, indicating the required steps and that there will not be further response until those steps are taken.

CPE AUDIT. Questions were addressed. A late fee is applied when the form is filed late; no added fee applies if one is short on CPE. Perhaps when a person is lacking CPE, all their listings should be verified. There was discussion about AICPA having raised the CPE requirement for non-public CPAs, from 60 to 120 hours, and their members may be paying their dues (which include tacit verification they've met the CPE rule) without having done so. If we know that's the case, it could be an ethics issue. Jim made the case that many may not be aware of that higher CPE expectation. No action was initiated.

CPA EXAM EXPOSURE DRAFT. Discussion.

PEER REVIEW. Letters will be sent to firms receiving a fail rating, notifying that we are aware of the status and will monitor the next review status. Peter provided information on the "pass" and "pass with deficiencies" ratings.

NEXT MEETING: Feb. 12, 2016 @ 9 am; 2 locations: Eide Bailly-Bismarck, Brady Martz-Grand Forks.

E.D. GOALS. Faye circulated possible goals that Jim had drafted.

COMPLAINTS. Briefing on 2014-4.

ADJOURNED at approx. 3:30 pm

Date

Secretary