

SUNSET
REVIEW
BOARD of
PUBLIC
ACCOUNT-
ANCY

5

STATE OF ALASKA

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

February 10, 1984

FEB 1 1984

The Honorable Joe Hayes
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Enclosed are six of the seven sunset audit reports of regulatory boards that will terminate June 30, 1984. I am forwarding these reports to you so that they may be distributed to the appropriate standing committees you will designate to perform the legislative oversight function.

The boards are:

1. Board of Chiropractic Examiners (AS 08.20.010)
2. Board of Examiners in Optometry (AS 08.72.010)
3. Board of Pharmacy (AS 08.80.010)
4. Board of Barbers and Hairdressers (AS 08.13.010)
5. State Board of Registration for Architects, Engineers, and Land Surveyors (08.48.011)
6. Board of Public Accountancy (AS 08.04.010)

The audit on the Alcoholic Beverage Control Board (AS 04.06-.010) is in process and will be available once released by the Legislative Budget and Audit Committee.

Please note that AS 08.03.020(a) provides that upon termination, each board continues in existence until June 30th of the next succeeding year for the purpose of concluding its affairs.

Sincerely,



Rep. Robert Bettisworth,
Chairman
Legislative Budget and Audit
Committee

A PERFORMANCE REVIEW
OF THE
BOARD OF PUBLIC ACCOUNTANCY

November 7, 1983

| | | |
|---|---|---------------------|
| Commissioner of the Department of Commerce and Economic Development | - | RICHARD A. LYON |
| Deputy Commissioner of the Department of Commerce and Economic Development | - | J. VINCENT O'REILLY |
| Director of the Division of Occupational Licensing | - | HARRY D. TRAEGER |

Members of the
Board of Public Accountancy

| | | |
|-----------|---|--------------------|
| President | - | J. Shelby Stastny |
| Member | - | L. Pete Hogan* |
| Member | - | Deloris Dash* |
| Member | - | Michael T. Cook* |
| Member | - | Vernon R. Johnson |
| Member | - | Sandra L. Langland |
| Member | - | Kaye May |

* term expired April 25, 1983

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THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

November 7, 1983

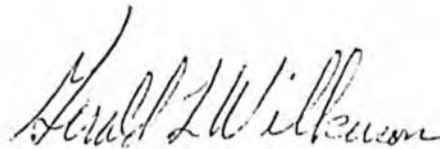
Members of the
Legislative Budget and Audit Committee:

In accordance with the intent of Title 24 and 44 of the Alaska Statutes, the Division of Legislative Audit was mandated to perform a "Sunset" review of the Alaska State Board of Public Accountancy.

As many staff members of the Division hold Certified Public Accountant certificates, and are subjected to regulation by that Board, the Division lacked the apparent independence necessary to perform the review.

The Division contracted with R.W. Pavitt and Associates, Inc. to perform this review. This firm is a reputable management consultant business that has been in operation for several years. In addition, it conducted the review for us in 1979.

We feel this report discharges our responsibility, mandated under Title 24 and 44. The report is submitted for your review.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

R. W. PAVITT AND ASSOCIATES, INC.
PLANNING CONSULTANTS

November 7, 1983

LEGISLATIVE AUDIT DIVISION
State of Alaska
Pouch W
Juneau, Alaska 99811

Attention Merle R. Jenson, Deputy Legislative Auditor

Dear Mr. Jenson:

In accordance with the Contract for Services between the Legislative Audit Division and our firm, we have completed a performance review of the Board of Public Accountancy using guidelines and standards established in Alaska Statutes for such "sunset" audits.

The report, entitled A PERFORMANCE REVIEW OF THE BOARD OF PUBLIC ACCOUNTANCY, is hereby submitted.

Respectfully,



R. W. Pavitt, AICP
President

RWP/bp

A PERFORMANCE REVIEW OF THE BOARD OF PUBLIC ACCOUNTANCY

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Department of Commerce and Economic
Development

PURPOSE AND SCOPE OF THE REVIEW

Purpose

In accordance with the intent of Alaska Statutes 24.20.271(1) and 44.66.050 (Sunset legislation), a review of the Board of Public Accountancy was conducted to examine Board activities, operations, policies and accomplishments. The purpose of the review is to determine if the Board has operated in a fair, effective, efficient and economical manner in the performance of its statutory functions, duties and responsibilities.

As required by AS 44.66.050, this report shall be considered during the legislative oversight procedure in determining whether the Board of Public Accountancy should be continued or reestablished. The law currently specifies that this Board will terminate on June 30, 1984, but will continue until June 30, 1985 for the purpose of concluding its affairs.

Scope

The major areas studied were the Board's operations, policies, procedures and its examination, licensing, administration, complaint and affirmative action responsibilities. Our review consisted of research, analysis and evaluation of the following:

- (1) Applicable Alaska Statutes and Alaska Administrative Code regulations;
- (2) Records, minutes and documents of the Board and the Division of Occupational Licensing;
- (3) Licensing and certification requirements of other jurisdictions;
- (4) Interviews with Board members
- (5) Interviews conducted with personnel of:
Division of Occupational Licensing
Office of the Ombudsman
Human Rights Commission
- (6) Complaints filed with:
Human Rights Commission
Office of the Ombudsman

ORGANIZATION AND FUNCTION

Although regulation of the profession of public accountancy in Alaska dates back to 1949, the Alaska State Board of Public Accountancy was established by the First Alaska Legislature when it adopted the Accountancy Act of 1960 (AS 08.04). An amendment to the Act in 1976 added two public members to the Board, bringing its total membership to seven. (Chapter 258 SLA 1976).

The Act was further amended in 1980 (Chapter 82 SLA 1980) to provide that of the seven board members, five shall be certified public accountants and two members shall be public members. Other changes, both technical and substantive, were made in the 1980 amendments, but the Accountancy Act as amended continues to assign to the board the following major responsibilities:

1. the promulgation and amendment of rules to "establish and maintain a high standard of integrity and dignity in the profession of public accountancy" (AS 08.04.080)
2. granting of certificates of "Certified Public Accountant" to persons meeting the specified requirements (AS 08.04.100)
3. administering the Uniform CPA Examination prepared and graded by the Board of Examiners of the American Institute of Certified Public Accountants (AS 08.04.130)
4. registration of partnerships and corporations engaged in the practice of public accountancy (AS 08.04.240)
5. prescribing requirements for continuing education as a prerequisite to renewal of permits to practice (AS 08.04.425)
6. consideration of revocation or suspension of a certificate or license for a cause specified in the Act (AS 08.04.450)
7. consideration of reinstatement of a revoked or suspended certificate or license (AS 08.04.490)
8. consideration of application to the appropriate court for an order enjoining certain unlawful acts (AS 08.04.630)

Except for the exemptions specified in AS 08.04.570, the Accountancy Act of 1960 prohibits the practice of public accountancy by any individual, firm, partnership or corporation not holding a currently valid certificate, license and/or permit to practice in Alaska (AS 08.04.500 et seq.).

REPORT CONCLUSION

In our opinion, the Board of Public Accountancy should be continued. Protection of the public interest is a basic tenet of Alaska's Constitution, and a continuing responsibility of state government. We believe that state regulation and licensing of the profession of public accountancy is necessary and desirable for the continued protection of the citizens of Alaska.

That conclusion is supported by the following rationale:

- Financial statements, audited and attested by certified public accountants, are relied on by many persons required to make judgments on important financial and business transactions. Users of such financial statements cannot reasonably be expected to investigate the individual qualifications and competency of every accountant who performs the attest function.
- State licensing and regulation protects the public from incompetent and fraudulent practitioners.
- State licensing and regulation assures the public that only individuals who have proven themselves skilled and knowledgeable of technical accounting principles and procedures may perform the attest function.
- The public interest is advanced when individuals, financial institutions, businesses and government agencies are able to identify and rely on public accountants who have demonstrated professional skill and competence.

All fifty states of these United States, the District of Columbia, Guam, Puerto Rico and the Virgin Islands require that a person must pass the Uniform CPA Examination in order to qualify for a CPA license. Every jurisdiction has found it in the public interest to pass laws regulating public accountancy, and each has established a board of accountancy to administer and enforce the laws. Although the requirements of those laws with respect to experience, education, age, citizenship and residency vary somewhat from one jurisdiction to another, the requirements of the Alaska Accountancy Act of 1960, as amended, appear reasonable and prudent when reviewed along with the accountancy laws of other jurisdictions.

The Alaska Statute governing public accountancy is clearly designed to set apart those who have met certain qualifications for a license, and

to restrict the use of the titles "Certified Public Accountant" and "Public Accountant" to those who have so qualified. The policies and practices of the Board of Public Accountancy observed in the conduct of this review appear to be consistent with that objective.

FINDINGS AND RECOMMENDATIONS

FINDINGS

An exhaustive performance audit of the Board of Public Accountancy was conducted in the fall of 1979. Eight specific recommendations were made in that review. The recommendations made, and actions taken pursuant to the legislative oversight hearings of 1980 follow:

Recommendation No. 1

The qualifications and conditions of Board membership (AS 08.04.020) should be amended to specify five certified public accountants or public accountants, and two public members.

Action

Recommendation accomplished in Chapter 82, SLA 1980)

Recommendation No. 2

The Board of Public Accountancy should be brought to its full complement of seven members, and maintained at that strength by means of timely appointments of qualified professional and public members.

Action

None. Over 6 months have passed since the terms of 3 members of the board have expired. The board has submitted a list of names to the Governor's Office, but as of November 7, 1983, no appointments have been made. (see Recommendation No. 1; this review)

Recommendation No. 3

Without affecting the rights and privileges of presently-licensed Public Accountants, the Accountancy Law should be amended to discontinue the licensing of new applicants as Public Accountants.

Action

Recommendation accomplished in Chapter 82, SLA 1980

Recommendation No. 4

Electronic recordings should be made of all Board meetings, and the tapes retained by DOL for two years.

Action

Recommendation accomplished in Chapter 82, SLA 1980

Recommendation No. 5

The Board should adopt a formal statement of goals, objectives and policies; and should prepare an annual report of its activities.

Action

Recommendation accomplished in Chapter 82, SLA 1980

Recommendation No. 6

AS 08.01.025 should be amended to state more clearly legislative intent with respect to the qualifications of public members of boards.

Action

Recommendation accomplished in Chapter 82, SLA 1980

Recommendation No. 7

DOL should develop improved statistical record-keeping methods and procedures.

Action

DOL's record-keeping methods and procedures have shown substantial improvement. Much of the essential data is now maintained on DOL's computer system, and appears to be easily accessible and retrievable.

Recommendation No. 8

DOL should handle investigations in a more comprehensive, efficient and timely manner.

Action

Board minutes, and interviews with board members and DOL personnel indicate that great improvement has been made regarding the investigatory function of DOL as related to public accountancy. Reports on cases in progress are now made at nearly every board meeting, and much of the backlog of public accountancy cases has been cleared up and the cases closed. (see Recommendation No. 2; this review)

In summary, it is the finding of this review that nearly all of the recommendations made in the 1979 sunset review of the Board of Public Accountancy have been implemented. The Board currently appears to be operating smoothly and efficiently in accomplishing its statutory responsibilities.

RECOMMENDATIONS

Following are the recommendations of this review:

Recommendation No. 1

The Board of Public Accountancy should be brought to its full complement of seven members, and maintained at that strength by means of timely appointments of qualified professional and public members.

Slow appointment procedures make it difficult for the Board to operate at peak efficiency. While it is true that "a member continues to serve until a successor is appointed" (AS 08.04.040), it is unreasonable to expect those members whose terms have expired to invest the many hours of time required of board members over an extended period of time.

Board meetings typically extend over a full two day period, and require many hours of diligent preparation, and substantial travel of the members. The charge to "establish and maintain a high standard of integrity and dignity in the profession of public accountancy" is taken seriously by the Board. The State as well as the people of Alaska benefit from the many hours of unpaid and dedicated service contributed by members of the Board.

It is recommended that the Office of the Governor expeditiously appoint qualified new members to the three expired Board seats, and continue to make appointments or reappointments to this Board in a timely manner.

Recommendation No. 2

The records of the investigations unit of DOL should be systematized and automated.

Although much of the work done by the investigatory personnel of DOL is confidential in nature, the same is true of the Ombudsman's Office, the Human Rights Commission and numerous other State agencies. They have

invariably found, however, that statistical information regarding investigations is made immeasurably faster and simpler to store and retrieve using modern computer technology.

Considering the many boards, commissions and functions served by the investigations unit, automation of these records and statistics would be of substantial assistance to the overall effectiveness and efficiency of the Division of Occupational Licensing.

*

ANALYSIS OF PUBLIC NEED

The following analysis of Board activities relates to the public need factors defined in AS 44.66.050(c). This analysis addresses those areas able to be covered within the scope of this review.

- I. The extent to which the board, commission or agency has operated in the public interest.
 1. The Board of Public Accountancy has established criteria and authored regulations setting forth the standards which an individual must satisfy in order to practice public accountancy in Alaska.
 2. The Board has established regulations requiring evidence of continuing professional education (CPE) as a condition of license renewal.
 3. The Board has held an average of three meetings per year and conducts examinations twice a year in Anchorage, Fairbanks and Juneau.

- II. The extent to which the operation of the board, commission or agency program has been impeded or enhanced by existing statutes, procedures and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.
 1. Operation of the Board has been enhanced by improvements in DOL's administration, record-keeping and statistical capabilities.
 2. Operation of the Board has been enhanced by improvements in DOL's investigations of public accountancy matters, and by the development of better rapport between the Board and its investigatory arm.

III. The extent to which the board, commission or agency has recommended statutory changes which are generally of benefit to the public interest.

1. The Board has recommended several amendments to the Accountability Act of 1960 which appear to be consistent with other jurisdictions and generally in the public interest.

IV. The extent to which the board, commission or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service which it has provided.

1. Individuals who contact Board members or the Licensing Examiner who wish to present information, ask questions or register complaints are invited and encouraged to attend Board meetings.

V. The extent to which the board, commission or agency has encouraged public participation in the making of its regulations and decisions.

1. Board meetings are held at least three times annually, are open to the public, and are advertised in a timely manner by DOL in Anchorage, Fairbanks and Juneau newspapers.
2. In accordance with the Administrative Procedures Act, the Board has invited interested persons and groups to offer testimony in regard to proposed changes in regulations, and has held advertised public hearings to receive testimony.

VI. The efficiency with which public inquiries or complaints regarding the activities of the board, commission or agency filed with it, with the department to which the board or commission is administratively assigned, or with the office of the ombudsman have been processed and resolved.

1. In the past four years, two complaints concerning the Board's activities were filed with the Ombudsman's Office. A complaint in 1980 charging the board with unfair handling of an application

was found by the ombudsman to be unsupported, and a 1982 complaint dealing with an anticipated reapplication problem proved to be a misunderstanding that was rapidly resolved to the complainant's satisfaction.

2. No complaints regarding the Board's practices or activities have been recorded in the past four years by the Human Rights Commission or the Equal Opportunity Office.

VII. The extent to which a board or commission which regulates entry into an occupation or profession has presented qualified applicants to serve the public.

1. The Board has proposed and adopted regulations and standards with respect to acceptable experience necessary for certification.
2. The Board has proposed and adopted regulations for continuing professional education (CPE) as a requisite for license renewal.
3. The Board exercises diligence to assure that only those individuals who fully comply with the requirements of the statute and regulations are certificated to practice public accountancy.

VIII. The extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission or agency in its own activities and the area of activity or interest.

1. The application forms for examination and certification do not inquire as to race or sex, nor do they require photos.
2. No evidence has been presented that the Board has discriminated against applicants on the basis of age, race or sex.

IX. The extent to which statutory, regulatory, budgeting or other changes are necessary to enable the agency, board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

Please see RECOMMENDATIONS subsection of this review.

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

OFFICE OF THE COMMISSIONER

January 26, 1984



Mr. Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, Alaska 99811

Dear Mr. Wilkerson:

Thank you for the opportunity to comment on the November 7, 1983 audit findings entitled A Performance Report of the Board of Public Accountancy. The Department of Commerce and Economic Development feels that the licensing of certified public accountants and the continuation of the Board of Public Accountancy is in the public interest. The following are our comments with regard to the specific recommendations outlined in your findings.

Recommendation No. 1: The Board of Public Accountancy should be brought to its full complement of seven members and maintained at that strength by means of timely appointments of qualified professional and public members.

The department does not object to this recommendation.

Recommendation No. 2: The records of the investigations unit of DOL should be systematized and automated.

The department concurs with this recommendation. The investigations section is in the planning stages for computerizing files for tracking and statistical use. Actual entry into the computer system will occur following completion of the entries of all licensing data and design of security measures. Investigation entries could occur within a year.

Thank you again for this opportunity to comment on the findings.

Sincerely,

A handwritten signature in dark ink, appearing to be "Richard A. Lyon".

Richard A. Lyon
Commissioner

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