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BOARD OF PUBLIC ACCOUNTANCY

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ALASKA STATE BOARD OF PUBLIC ACCOUNTANCY

AS 08.04 - 7 members; 3 year term; serves until new member is appointed and qualified; may be removed by the Governor for cause.

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Anchorage, AK 99503

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NARRATIVE STATEMENT

June 30, 1987

Most of the board's effort through June 30, 1987 was occupied with determining entry qualifications for candidates for the CPA examination or for certification of CPAs. There was still a large amount of the voluntary time of members of the board occupied with this largely clerical function. However, board membership was stable, allowing some time for considering more substantive and emerging issues.

Among items considered were:

- Fees were raised twice and a major restructuring of fees was implemented.
- Meetings were held with hearing and investigative officers regarding disciplinary actions and disputed candidacies.
- After public notice, reviewed ethical standard regulations which had been submitted by the division regulations specialist and amended by the board were adopted.
- Procedures were planned for reviewing and verifying on a test basis continuing education of CPA licensing for the two years ended December 31, 1987.
- Regulations for reentry into public practice for CPAs who had inactive licenses or who let their licenses lapse had been incomplete and difficult with which to work. Those regulations were improved including defining their relationship to the requirements of CPAs for continuing professional education.
- Refinements and improvements in other regulations were made throughout the year.
- Discussions were held about state single audit regulations and how board policies and procedures might assist in their implementation and management.

FY 87 STATISTICAL INFORMATION
(Please Type)

Date: _____

Method: Check the appropriate method in which licenses are issued (not including Examination), and cite the specific statutory authority.

_____ Credentials	AS 08. _____
_____ Reciprocity	AS 08. _____
_____ Comity	AS 08. _____
_____ Endorsement	AS 08. _____

New Licenses: List each category and the number of licenses issued within each category for the first time in FY 87.

CATEGORY:	NUMBER OF LICENSES:
(1) Certified Public Accountants	66
(2) CPA Resident and Nonresident Partnership	5
(3) CPA Resident and Nonresident Corporation	1
(4) General Permit to Practice	6
(5) Chartered Accountant	N/A
(6) Public Accountant	N/A

Number of **CURRENT** licensees: 727
 Number of **LAPSED** licensees: 460
 Number of **INACTIVE** licensees: 175

Expiration Date: If the expiration date is different for each category, indicate the category after each date.

Expire: December 31, 1987
Annual - General Permit to Practice

Examination: List each examination separately indicating the licensure category (such as RN, LPN, Dentist, Dental Hygienist), the total number of examinees, number passed and failed.

Exam Statute Authority: 08.04.130

(1) Category:	Total Candidates	#Passed	#Failed	# Conditioned
<u>Certified Public Accountants</u>	<u>153</u>	<u>23</u>	<u>83</u>	<u>47</u>

Date and City: May 6-8, 1987 - Anchorage, Fairbanks, Juneau

(2) Category:	Total Candidates	#Passed	#Failed	# Conditioned
<u>Certified Public Accountants</u>	<u>149</u>	<u>29</u>	<u>88</u>	<u>32</u>

Date and City: November 5-7, 1987 - Anchorage, Fairbanks, Juneau

(3) Category:	Total Candidates	#Passed	#Failed	# Conditioned
_____	_____	_____	_____	_____

Date and City: _____

(4) Category:	Total Candidates	#Passed	#Failed	# Conditioned
_____	_____	_____	_____	_____

Date and City: _____

Total Licensed by Exam: _____

Meetings: List Date(s) and Location(s)

1. March 26-27, 1987 - Juneau, Alaska
2. September 22-23, 1986 - Fairbanks, Alaska
3. July 14-15, 1986 - Anchorage, Alaska
- 4.

Teleconferences: List Date(s) and Site(s)

- 1.
- 2.
- 3.
- 4.

Regulation Hearings: List Date(s) and Site(s)

Investigations: (Attach Case Summary)

REVIEW OF PRIOR YEAR OBJECTIVES

The Board of Public Accountancy June 1986 report to the Governor submitted on July 25, 1986 included three continuing goals:

1. Continue efforts to establish procedures by which financial statements of licensees would be subject to a review to ascertain adherence to auditing and reporting standards which are required under Alaska Statutes.

Little progress has been made on this. There are no funds available to implement procedures. Legislation may be needed to provide the board authority to review financial statements, especially those that are not generally available to the public. Pressures arising from Alaska Single Audit Regulations, congressional investigations, the perception of the public on the role of licensed certified public accountants as auditors of financial statements are continuing. The quality control - positive enforcement program envisioned by the board would be intended to insure that CPAs adhere to standards of independence, competency, objectivity and pronouncements of technical standards.

It would be natural for the Board of Public Accountancy to perform quality assurance reviews of reports submitted to the state under single audit regulations. Quality assurance reviews of financial statements submitted to the state could be part of both the single audit process and the board's desired positive enforcement program. The single audit regulations deal with the proper expenditure of state funds. It is probable that appropriate authority for a positive enforcement program is contained in state law, although questions have arisen as to whether or not state law needs to be strengthened in this area.

Therefore, the board continues to monitor the implementation of similar procedures by other states and jurisdictions. It also continues to request the funds and legislative authority needed so that Alaska will not lag behind in developing a positive enforcement quality assurance program.

2. Clarification of the regulations concerning the measurement of experience needed for people to qualify for the CPA designation. The complexity of the issues necessitated continued efforts in 1987.

Changes were made to the regulations in 1987. Since the Alaska Public Accountancy Act was adopted in 1960, there have

been major changes in the accounting profession. In 1960, CPAs prepared either of two opinions, also called reports, on financial statements which were referred to as reports on audited or unaudited financial statements. Now, professional standards refer to new types of reports and services which include reports on audited, unaudited, reviewed and compiled financial statements. Alaska law needs to be changed to reflect the new CPA services in regard to financial statements. The board has clarified some regulations that affect qualifying experience requirements, and, in the process, has had problems with insuring that the regulations are within statutory authority. The board will continue to develop improved regulations in this area in 1988.

3. Administrator training - The board is of the opinion that attendance by our licensing examiner at CPA administrator conferences will greatly enhance his ability to administer the licensing and regulatory processes of CPAs. Due to budget constraints, we have been unable to accomplish this objective. The benefits of such programs can greatly exceed the cost of attendance by increasing efficiency.

The licensing examiner assigned to the State Board of Public Accountancy attended a regional meeting of the National Association of State Boards of Accountancy (NASBA) in June 1987. This was considered progress and attendance of at least one meeting per year of NASBA is continuing to be requested.

The Board of Public Accountancy June 1986 report included two objectives that were accomplished:

1. Improve examination facilities.

Due to the critical nature of the examination, it has been the board's objective that the examination sites be arranged far enough in advance to insure adequate facilities. This had been a particular problem with the Anchorage site.

Currently, examination sites at appropriate facilities have been reserved for several future examination dates.

2. Establish fees.

Work with the Division of Occupational Licensing to develop fees based upon costs for the various services of the board. These fees are to be established by regulation in accordance with SCS CSHB 78.

This work was completed through two fee increases made in FY 87.

NEW GOALS AND OBJECTIVES

This report continues three continuing goals described in the preceding section that are part of the new goals and objectives:

1. Establish procedures by which financial statements of licensees would be subject to a review. This is to establish a positive enforcement program as discussed above.
2. Clarify regulations concerning the measurement of experience needed for people to qualify for the CPA designation. This is to improve the regulations describing qualifying experience as discussed above.
3. Administrative training through attendance of the licensing examiner at appropriate programs for administrators of state boards of public accountancy. This is to authorize attendance of the board's licensing examiner at training sessions of the National Association of State Boards of Accountancy, especially their annual meeting.

The board, through the items that have required attention during its recent meetings, has developed other new goals and objectives:

1. Obtain authorization for four meetings per year. The board has been working on a very tight schedule. The schedule is dictated by applicable state laws and regulations. The qualifications for candidates to sit for the uniform CPA examination provided nationally on the same dates and times in May and November of each year must be reviewed about six weeks before each examination. The applications for certification of people who become qualified for the CPA designation must be reviewed promptly enough so that new CPAs can increase their employment options. During license renewal years, the board must review the records of licensees regarding continuing professional education. The other matters that come to the board for consideration about the regulation of the accounting profession must be processed on a timely basis. Particularly during the year, following the date of license renewals, the board needs sufficient meetings to conduct its business to the satisfaction of the public. Scheduling four meetings per year would be more likely than current schedules to insure that the work of the board is properly completed.

2. Study improving procedures for verifying the experience of people applying for CPA certificates. Candidates for certification are required to complete specified accounting and auditing procedures during a specified period of time to qualify for certification. The board is provided evidence of the completion of experience through inquiries of employers whose responses are returned directly to the Division of Occupational Licensing. The board has the authority to and does additional verification of the quality and completeness of experience on a case by case basis. Because of the much larger number of CPAs and firms in the state, it is less likely that board members will be personally acquainted with the employers who are asked by candidates to verify experience. Therefore, the board has determined that its procedures should be reviewed to learn whether or not the procedures for verifying experience should be strengthened in a formal manner.
3. Improve the process for monitoring continuing professional education. The Public Accountancy Act requires CPAs to complete 60 hours every two years and to report the courses taken and the hours completed with each biennial license renewal. The board then is responsible for monitoring which includes insuring that CPAs are relicensed only if they have completed the required education and to be sure that the education is completed in accordance with the laws and regulations. This process has been completed twice and will occur again in early 1988. The process may be able to be made more efficient and effective through close observation by the board and the Division of Occupational Licensing. The board, in cooperation with the division, intends to monitor the coming relicensing period to discover opportunities for administrative actions that will improve efficiency and effectiveness. Included in the board's goals for regulations later in this report is the suggestion that, when revisions would be helpful for improving, this process that changes to such regulations be made also.
4. The board's goal for legislation are included in the Legislative Recommendations section of this report.
5. The board's goal for regulations are included in the Regulation Recommendations section of this report.

BUDGET RECOMMENDATIONS

The portion of this report describing goals and objectives have covered subjects that impact these budget recommendations. These include:

1. Establishment of a positive enforcement program.
2. Adoption of provisions of the "Model Public Accountancy Bill."
3. Scheduling four board meeting per year.
4. Attendance for the licensing examiner at training meetings.

A positive enforcement programs would accomplish two objectives that do not relate directly to the cost of the Division of Occupational Licensing. One is a public safety objective since the program would be designed to prevent substandard practice by CPAs that might damage the public. The other is the objective to make available an enforcement process that will assist in accomplishing the purposes of the state single audit regulations. Because these are public objectives, consideration should be given to looking for funding from sources other than the licensees.

The legislative recommendations in this report include the adoption of statutes governing the accounting profession that more closely than current Alaskan law resemble the "Model Public Accountancy Bill" published by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy. The need for this legislation is described in the Legislative Recommendations section of this report. Because the law is technical, the input of the board and its members would be needed by the Legislature and administration of the state.

Funds to implement the recommendations described above have been included in the following budget:

BUDGET

	<u>Air Fare</u>	<u>Per Diem</u>	<u>Other</u>
<u>Board Meetings</u>			
Two in Anchorage (one two-day meeting; one one-day meeting)	\$ 1,600	\$1,920	
One in Fairbanks (one two-day meeting)	2,086	1,280	
One in Juneau (one two-day meeting)	<u>2,080</u>	<u>1,280</u>	
	<u>\$ 5,766</u>	<u>\$4,480</u>	
<u>National Association of State Boards of Accountancy</u>			
One board member to annual meeting	\$ 1,000	\$ 240	
One board member to regional meeting	700	160	
Licensing examiner to administrative meeting	<u>1,163</u>	<u>160</u>	
	<u>\$ 2,863</u>	<u>\$ 560</u>	
<u>Quality Control - Positive Enforcement</u>			
Implementation Project			\$30,000
<u>Other</u>			
Board members in Juneau to testify on accountancy statutes revisions	\$ 1,200	\$ 340	
Examination sites	<u>352</u>	<u>80</u>	<u>5,000</u>
	<u>\$ 1,552</u>	<u>\$ 420</u>	<u>\$ 5,000</u>
<u>TOTALS</u>	<u>\$10,181</u>	<u>\$5,460</u>	<u>\$35,000</u>

BOARD/COMMISSION RECOMMENDATIONS FOR
PROPOSED LEGISLATION

The Division of Occupational Licensing requests that each board or commission proposing new or amended legislative requests complete this form entirely. The completion of this analysis will provide the staff with a clearer understanding of the board's/commission's intent and position on relevant issues concerning the proposed changes.

1. Proposed language:

Revise the Accountancy Act of 1960 to closely resemble the "Model Public Accountancy Bill" published by the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy. A copy of the model bill is enclosed.

2. State the problem or purpose prompting this request:

Alaska Statutes governing the accounting profession have had little revision since 1960. Since then, major changes have occurred such as the institution of reviews and compilations of financial statements, the pressures to adopt positive enforcement programs and the pressure to reduce different requirements among the 54 American licensing jurisdictions regarding certification, reciprocity and temporary practice and the barriers that are posed to effective practice of public accountancy under modern conditions.

3. Briefly state the history of this problem or proposal:

The Accountancy Act of 1960, after it was revised to require continuing professional education, has slowly become outdated. Although pressures have been mounting to make major changes, the profession in Alaska itself along with the Alaska State Board waited for the guidance provided in the new "Model Bill" and it has been considered that other matters required more time than would permit the Legislature to devote sufficient time to a revision of the Accountancy Act. Any impediments to a revision are now outweighed by the requirement to complete it.

4. Identify the alternatives to this legislation (if any):

None.

5. Which alternative mentioned would be most acceptable?

Not applicable.

6. Does the entire board/commission agree with this legislative request?

Yes.

7. In the event questions should be raised during the processing on this request, who should be contacted?

Board/Commission Member Michael T. Cook
Phone - 456-7762

BOARD/COMMISSION RECOMMENDATIONS FOR
PROPOSED LEGISLATION

The Division of Occupational Licensing requests that each board or commission proposing new or amended legislative requests complete this form entirely. The completion of this analysis will provide the staff with a clearer understanding of the board's/commission's intent and position on relevant issues concerning the proposed changes.

1. Proposed language:

Section 08.04.140. Frequency of examination . . . an examination shall be held not less than twice [ONCE] each year.

2. State the problem or purpose prompting this request:

The uniform CPA examination is held twice per year at the same time in all jurisdictions of the United States. All candidates for a CPA certificate expect the examination to be held on that schedule. Having Alaska Statutes provide for a minimum of once per year too often causes confusion for legislative and budgeting service.

3. Briefly state the history of this problem or proposal:

This is a matter that has needed updating for many years, but it falls by the wayside in typical administrative correction type legislative bills.

4. Identify the alternatives to this legislation (if any):

Not applicable.

5. Which alternative mentioned would be most acceptable?

Not applicable.

6. Does the entire board/commission agree with this legislative request?

Yes.

7. In the event questions should be raised during the processing on this request, who should be contacted?

Board/Commission Member Michael T. Cook
Phone - 456-7762

BOARD/COMMISSION RECOMMENDATIONS FOR
PROPOSED REGULATIONS

The Division of Occupational Licensing requests that each board or commission proposing new or amended legislative requests complete this form entirely. The completion of this analysis will provide the staff with a clearer understanding of the board's/commission's intent and position on relevant issues concerning the proposed changes.

1. Proposed language:

To implement a positive enforcement program primarily through quality assurance reviews of financial statements reported upon by licensees.

2. State the problem or purpose prompting this request:

The primary purpose of regulation of the accounting profession is to insure that the financial statements upon which certified public accountants report can be relied upon by the general public. With the vast increase in the complexity of financial transactions entered into by business and government throughout the United States, it has been found that positive enforcement programs are the effective way to monitor the accounting profession. The State of Alaska now does not have such a program and needs one.

3. Briefly state the history of this problem or proposal:

The accounting profession has been investigated over the last ten years by the United States Congress in connection with business failures that have affected government and the general public. Pressures created by the investigations have encouraged the accounting profession to expand its own efforts of self-regulation, and, under the leadership of, primarily, the National Association of State Boards of Accountancy, to develop model positive enforcement programs that are generally accepted by members of State Boards of Public Accountancy. Now that the pioneering efforts are completed, it is appropriate for the State of Alaska to adopt a program based upon its own particular circumstances.

4. Identify the alternatives to this regulation (if any):

The state would be without an important link in its regulation of the public accountancy profession if a positive enforcement program is not adopted.

5. Which alternative mentioned would be most acceptable?

To adopt a positive enhancement program.

6. Does the entire board/commission agree with this legislative request??

Yes.

7. In the event questions should be raised during the processing on this request, who should be contacted?

Board/Commission Member Ida McMahon
Phone - 376-4195

**BOARD/COMMISSION RECOMMENDATIONS FOR
PROPOSED REGULATIONS**

The Division of Occupational Licensing requests that each board or commission proposing new or amended legislative requests complete this form entirely. The completion of this analysis will provide the staff with a clearer understanding of the board's/commission's intent and position on relevant issues concerning the proposed changes.

1. Proposed language:

Clarifications in all affected regulations about the definitions of attest hours, review procedures and compilation procedures as they relate to the general practice of accountancy and especially to qualifying experience for certification.

2. State the problem or purpose prompting this request:

Because the provision of review and compilation services is a relatively new development in the accounting profession, language in state regulations, which were adopted based upon the best information available at the time, is sometimes contradictory or incomplete.

3. Briefly state the history of this problem or proposal:

Regulations based upon the Accountancy Act, which is somewhat outdated and on new professional developments, have been adopted to respond to emerging issues. However, contradictions in the regulations have become evident as the board has worked with the regulations and that work is providing experience on which to base improvements.

4. Identify the alternatives to this regulation (if any):

Without changes, the public becomes confused by the contradictory matters in the regulations.

5. Which alternative mentioned would be most acceptable?

To adopt changes in the regulations.

6. Does the entire board/commission agree with this legislative request?

Yes.

7. In the event questions should be raised during the processing on this request, who should be contacted?

Board/Commission Member Thomas E. Bartlett
Phone - 474-6527

BOARD/COMMISSION RECOMMENDATIONS FOR
PROPOSED REGULATIONS

The Division of Occupational Licensing requests that each board or commission proposing new or amended legislative requests complete this form entirely. The completion of this analysis will provide the staff with a clearer understanding of the board's/commission's intent and position on relevant issues concerning the proposed changes.

1. Proposed language:

To improve the process for monitoring the continuing professional education required of CPAs.

2. State the problem or purpose prompting this request:

The process of monitoring the continuing professional education required of CPAs takes considerable administrative time for the Division of Occupational Licensing and for the board. It would be helpful to make the process as efficient as possible, and, if regulation changes would help, they should be made.

3. Briefly state the history of this problem:

The legal requirement of CPAs to complete continuing professional education is relatively new and has impacted two biennial licensing renewals prior to the relicensing that will occur in 1988. Experience gained since the institution of the requirement will help analyze the process and provide suggestions for improvement. Potential efficiencies would leave more time to review the essence of the requirement by verifying actual attendance at and the quality of the courses CPAs claim to have attended.

4. Identify the alternatives to this regulation (if any):

The process may be inefficient and leave too little time for monitoring the important aspects of the program.

5. Which alternative mentioned would be most acceptable?

Improving the regulations wherever that would improve the program.

6. Does the entire board/commission agree with this legislative request?

Yes.

7. In the event questions should be raised during the processing on this request, who should be contacted?

Board/Commission Member Michael T. Cook
Phone - 456-7762

FY 87 STATISTICAL INFORMATION
(Please Type)

Date: _____

Method: Check the appropriate method in which licenses are issued (not including Examination), and cite the specific statutory authority.

_____ Credentials	AS 08. _____
_____ Reciprocity	AS 08. _____
_____ Comity	AS 08. _____
_____ Endorsement	AS 08. _____

New Licenses: List each category and the number of licenses issued within each category for the first time in FY 87.

CATEGORY:	NUMBER OF LICENSES:
(1) <u>Certified Public Accountant</u>	<u>66</u>
(2) <u>CPA Resident and Nonresident Partnership</u>	<u>5</u>
(3) <u>CPA Resident and Nonresident Corporation</u>	<u>1</u>
(4) <u>General Permit to Practice</u>	<u>0</u>
(5) <u>Chartered Accountant</u>	<u>N/A</u>
(6) <u>Public Accountant</u>	<u>N/A</u>

Number of CURRENT licenses: 727
 Number of LAPSED licenses: 460
 Number of INACTIVE licenses: 175

Expiration Date: If the expiration date is different for each category, indicate the category after each date.

Expire: December 31, 1987
Annual - General Permit to Practice

Examination: List each examination separately indicating the licensure category (such as RN, LPN, Dentist, Dental Hygienist), the total number of examinees, number passed and failed.

Exam Statute Authority: 08.04.130

(1) Category:	Total Candidates	#Passed	#Failed	Conditioned
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Date and City: May 6-8, 1987 Anchorage, Fairbanks, Juneau

(2) Category:	Total Candidates	#Passed	#Failed
<u>Certified Public Accountants</u>	<u>149</u>	<u>29</u>	<u>88</u>

Date and City: November 5-7, 1986 Anchorage, Fairbanks, Juneau

(3) Category:	Total Candidates	#Passed	#Failed
_____	_____	_____	_____

Date and City: _____

(4) Category:	Total Candidates	#Passed	#Failed
_____	_____	_____	_____

Date and City: _____

Total Licensed by Exam: 66

Meetings: List Date(s) and Location(s)

1. March 26, 27, 1987 Juneau, Alaska
2. September 22-23, 1986 Fairbanks, Alaska
3. July 14-15, 1986 Anchorage, Alaska
- 4.

Teleconferences: List Date(s) and Site(s)

- 1.
- 2.
- 3.
- 4.

Regulation Hearings: List Date(s) and Site(s)

Investigations: (Attach Case Summary)

OCCUPATIONAL LICENSING
ENFORCEMENT STATISTICS
FY 87

Accountants
Board

Investigations

Cases Pending Start of FY 87

3

New Cases Opened

12

Cases Closed

11

Cases Pending End of FY 87

4

Litigation

Cases Pending Start of FY 87

1

New Cases Opened

3

Cases Closed

3

Cases Pending End of FY 87

1

Enforcement Activity

Accusations

0

Statement of Issues

1

Cease and Desist Orders

2

Hearings

0

Disciplinary Actions

Cases Dismissed

0

Licenses Denied

0

Licenses Suspended

0

Probation

0

Licenses Revoked

0

Stipulations/Settlements

3