

**SB**

**10**

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

BILL NO. SB 10

Revision Date: \_\_\_\_\_  
 Title: An Act extending the termination date of the  
Board of Public Accountancy  
 Sponsor: Senator Therriault  
 Requester: \_\_\_\_\_

Dept. Affected DCED  
 BRU Occupational Licensing  
 Component Occupational Licensing  
 Component Serial No. 2360

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Personal Services	0.0	42.8	42.8	42.8	42.8	0.0
Travel		13.3	13.3	13.3	13.3	
Contractual		52.0	52.0	52.0	52.0	
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>108.1</b>	<b>108.1</b>	<b>108.1</b>	<b>108.1</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES [ ]	0.0	108.1	108.1	108.1	108.1	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other RSS		108.1	108.1	108.1	108.1	
<b>TOTAL</b>	<b>0.0</b>	<b>108.1</b>	<b>108.1</b>	<b>108.1</b>	<b>108.1</b>	<b>0.0</b>

Estimate of any current year (FY01) cost: \_\_\_\_\_

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Failure to pass legislation would result in the Board's termination in FY03. Funding for FY02 is contained in the Management Plan.

Prepared by Rep. Eldon Mulder, Co-Chair

Phone 465-2647

Rep. Bill Williams, Co-Chair

Phone 465-3424

Date 2/14/01

# HOUSE COMMITTEE REPORT

(11)  
Date Referred to Committee: February 7, 2001

FURTHER REFERRALS:

Date of Committee Action: 2/14/01

The FINANCE Committee considered:

SB 10

SENATE BILL NO. 10

EXTENDED BOARD OF PUBLIC ACCOUNTANCY

"An Act extending the termination date of the Board of Public Accountancy."

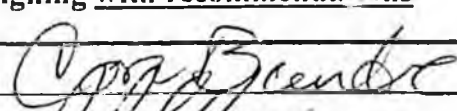
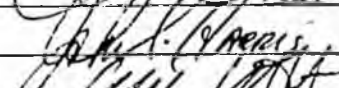
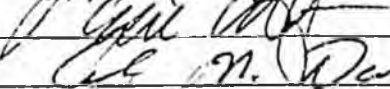
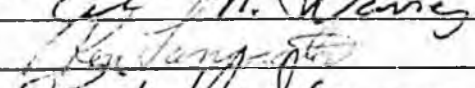
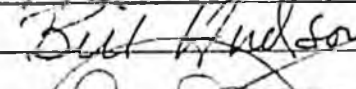

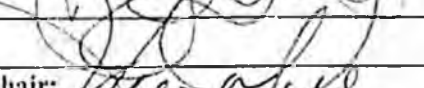
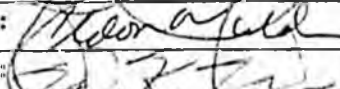
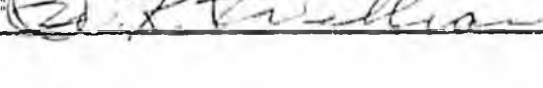
Recommends it be replaced with CS ( ) [ ] Same Title [ ] New Title  
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR \_\_\_\_\_

- [ ] attach amendments
- [ ] add new referral to \_\_\_\_\_ Committee
- [ ] Letter of Intent \_\_\_\_\_ Committee

List of Abbrev. For Depts.:  
ADM  
CED  
COR  
CRT  
EED  
DEC  
DFG  
GOV  
HSS  
LAA  
LAW  
LWF  
MVA  
DNR  
DPS  
REV  
DOT  
UA

<u>NEW FISCAL NOTES</u>				
*For Chief Clerk's Office Use Only				
FN#	List by Dept(s):	Fiscal	Indet.	Zero
	DCED	✓		

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN #	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	FR	AM
	Bunde	✓			
	Harris	✓			
	Croft	✓			
	DAVIES	x			
	Lancaster	x			
	Hudson	x			
	Foster	x			
Chair: 	Mulder	✓			
Chair: 	Williams	✓			

# Alaska State Legislature

SENATOR  
GENE THERRIAULT

Mailing Address:  
119 N. Cushman, Suite 101  
Fairbanks, Alaska 99701  
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Senate

While in session  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-4797  
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Senate District: C

Senate Bill 10

"An Act extending the termination date of the Board of Public Accountancy."

Sponsor:

Senator Gene Therriault

A handwritten signature in cursive script, appearing to read "Gene Therriault".

Sponsor Statement

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Under AS 08.04.010 the State Board of Public Accountancy regulates the professions of certified public accountants and public accountants by ensuring that the requirements laid out for licensure are met and adhered to.

The Board consists of seven members appointed by the governor. Each member shall be a resident of this state for at least one year. Five members shall be certified public accountants or public accountants and two members shall be public members.

The regulation and licensing of qualified certified public accountants safeguards the public by ensuring the competence and integrity of those who represent themselves as being certified public accountants.

The State Board of Public Accountancy is set to expire June 30, 2001 under AS 08.03.010. Termination of State Boards and Commissions. If the Legislature does not act to extend the Board, it would have one year, until June 30, 2002 to administratively conclude its affairs. Senate Bill 10 will extend the Board for another four years.

# Walsh Kelliher & Sharp

A Professional  
Corporation



Certified Public  
Accountants

Advisors  
to Business

January 19, 2001

Senator Gene Therriault  
State Capitol  
Juneau, AK 99801-1182

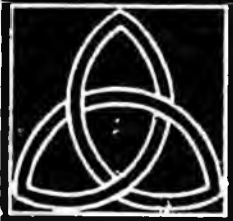
Dear Senator Therriault:

I am writing you in support of SB 10 which extends the termination date of the State Board of Public Accountancy to June 2005. I believe this board continues to serve the public interest by ensuring those licensed as Certified Public Accountants meet the qualifications specified in the statutes and regulations.

Please don't hesitate to contact me if you have any questions.

Best regards,

Michael M. Kelliher, CPA





ALASKA SOCIETY OF CPAs  
341 W. TUDOR #105  
ANCHORAGE, AK 99503  
(907) 562-4334  
800-478-4334  
FAX (907) 562-4025

January 19, 2001

Senator Gene Therriault  
State Capitol  
Juneau, AK 99801-1182

Dear Senator Therriault:

As the current president of the Alaska Society of Certified Public Accountants, I am writing to you in support of SB 10 which extends the termination date of the State Board of Public Accountancy to June 30, 2005. This board is not only important to certified public accountants' throughout Alaska, but it is important to all Alaskans. The public has a vested interest in the reliability of financial information and that this financial information is presently fairly. The board meets the public interest by making sure that not only new applicants for licensure meet certain standards, but all of those licensed continue to meet standards in professional conduct and continuing education. The Board of Directors of the Alaska Society of Certified Public Accountants has asked me to contact you in support of SB 10.

If we can be of any further assistance, please don't hesitate to contact us.

Sincerely,

Michael M. Kelliher, CPA  
President

October 20, 2000

Members of the Legislative Budget  
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF COMMUNITY AND  
ECONOMIC DEVELOPMENT  
STATE BOARD OF ACCOUNTANCY  
SUNSET REVIEW

October 20, 2000

Audit Control Number

08-20000-00

This audit was conducted as required by AS 44.66.050 and under the authority of AS 24.20.271(1). Alaska Statute 44.66.050(c) lists criteria to be used to assess the demonstrated public need for a given board, commission, agency, or program subject to the sunset review process. Currently under AS 08.03.010(c)(1), the Board of Public Accountancy is scheduled to terminate on June 30, 2001. The board would be allowed one year in which to conclude its administrative affairs.

Article IX, Section 14 of the Alaska Constitution, requires that the position of Legislative Auditor be filled by a certified public accountant (CPA). Likewise, the professional staff at the Division of Legislative Audit are either licensed or are pursuing licensure as CPAs. Since the board is responsible for licensing and regulating CPAs, our agency may be perceived as not being independent. As required by generally accepted government auditing standards, we are disclosing this perceived lack of independence.

In our opinion, the Board of Public Accountancy should be reestablished. The regulation and licensure of public accountants is necessary to the protection of the public's welfare. We recommend the legislature extend the Board of Public Accountancy until June 30, 2005.

Except for the issue related to the independence standard discussed above, the audit was conducted in accordance with generally accepted government auditing standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are set out on page one of this report.

Pat Davidson, CPA  
Legislative Auditor

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## OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Public Accountancy. As required by AS 44.66.050(a), the committee of reference shall consider this report during the legislative oversight process to determine whether the board should be reestablished. Currently, under AS 08.03.010(c)(1) the board will terminate on June 30, 2001, and will have one year from that date to conclude its affairs.

### Objectives

There are two central, interrelated, objectives of our report. They are:

1. To determine if the termination date of the board should be extended.
2. To determine if the board is operating in the public's interest. The assessment of the operations and performance of the board, was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relate to the determination of a demonstrated public need for the board.

### Scope and Methodology

Another auditor at our direction, and under our supervision, conducted a majority of this review. The auditor is subject to the licensing and regulatory oversight of the Board of Public Accountancy. We are satisfied that the contractor's work was competent and sufficient. However, the auditor, as is our agency,<sup>1</sup> is not independent as to the licensing and oversight of the board. Government audit standards require that any time the auditor is not independent, either in reality or perception, the "...impairment should be reported in the scope section of the audit report." This lack of perceived independence is so noted.

Our audit reviewed the operations and activities of the Board of Public Accountancy for the period of FY 98 through FY 00.

During the course of our examination, we reviewed and evaluated the following:

1. Compliance with statutes and regulations related to the certification of public accountants. Our evaluation addressed considerations of applications, testing of candidates, and continuing education necessary for an individual to maintain his/her license in good standing.
2. Minutes of meetings of the Board of Public Accountancy.

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<sup>1</sup> Article IX, Section 14 of the Alaska Constitution, requires that the position of Legislative Auditor be filled by a certified public accountant (CPA). Likewise, the professional staff at the Division of Legislative Audit are either licensed or are pursuing licensure as CPAs. Since the board is responsible for licensing and regulating CPAs, our agency may be perceived as not being independent, under the requirements of generally accepted government auditing standards.

3. Annual reports issued by the board.
4. Complaints filed with the Division of Occupational Licensing and the Department of Law.
5. Office of the Ombudsman closed case file.
6. Other documents deemed pertinent.

We also conducted interviews with employees of the Division of Occupational Licensing within the Department of Community and Economic Development, and the chair of the Board of Public Accountancy.

## ORGANIZATION AND FUNCTION

The Board of Public Accountancy is established under the authority of AS 08.04.010. The seven member board is appointed by the governor to four-year staggered terms.

Five of the members must be certified public accountants or public accountants currently licensed in the State of Alaska. Two members represent the general public. See the listing to the right for current board members.

The board is responsible for safeguarding the public interest by ensuring the competence and integrity of those who hold themselves out to the public as certified public accountants.

The board evaluates the qualifications of candidates, administers examinations, issues certificates and licenses to practice, promulgates rules of professional conduct, and takes disciplinary action.

The board is charged by statute with granting a certificate of "Certified Public Accountant" (CPA) to individuals at least 19 years of age and of good moral character that:

1. have satisfied the applicable education requirements;
2. have passed written examination requirements; and
3. have provided evidence of satisfactory work experience.

### Department of Community and Economic Development, Division of Occupational Licensing

The Department of Community and Economic Development, Division of Occupational Licensing provides administrative and investigative assistance to the Board of Public Accountancy. Administrative assistance includes budgetary services and functions such as collecting fees, maintaining files, receiving and issuing application forms, and publishing notices of examinations and meetings.

Alaska Statute 08.01.065, mandates the department, with the concurrence of the board, adopt regulations to establish the amount and manner of payment of fees for applications, examinations, licenses, registration, permits, investigations, and all other fees as appropriate for the occupations covered by the statute.

Alaska Statute 08.01.087 empowers the Division of Occupational Licensing with the authority to conduct an investigation on its own initiative or in response to a complaint.

Board of Public Accountancy  
as of October 1, 2000

#### Professional Members

Dean W. Nelson, Chair, CPA  
Marjorie J. Kaiser, CPA  
Steven R. Tarola, CPA  
Sandra R. Wilson, CPA  
Linda Thomas, CPA

#### Public Members

Kathleen B. Shreiber  
Lottie C. Fleeks

## REPORT CONCLUSIONS

In our opinion, the Board of Public Accountancy is operating in an efficient and effective manner and should continue to regulate certified public accountants and public accountants. We believe the board is safeguarding the public interest by ensuring the competence and integrity of those who hold themselves out to the public as certified public accountants or public accountants.

The Board of Public Accountancy has been found to serve a public purpose and has demonstrated an ability to conduct its business in a satisfactory manner. The board continues to propose changes to regulations to improve the effectiveness of the board and ensure that certified public accountants and public accountants licensed in the State of Alaska are competent and capable of maintaining the integrity of the profession.

Alaska Statute 08.03.010(c)(1) requires the Board of Public Accountancy be terminated on June 30, 2001. Under AS 08.03.020, the board has a one-year period to administratively conclude its affairs. We recommend the legislature extend the board's termination date to June 30, 2005.

## FINDINGS AND RECOMMENDATIONS

### Recommendation No. 1

The Board of Public Accountancy should revoke regulations specifying the continuing education requirements for practitioners who "vouch" for the experience of license applicants.

In order to be licensed as a certified public accountant (CPA) an applicant must work a minimum of 500 hours performing what is termed "the attest function." The attest function refers to a certain type of work a CPA must do in order to issue a formal opinion on a given set of financial statements. Such work is a specialty of CPAs, distinct from other types of work a CPA may do such as tax preparation, bookkeeping, and management advisory services. An applicant must work these hours under the direct supervision of an individual already licensed as a CPA.

Making distinctions between CPAs based on continuing education requirements is faulty

In November 1996, the board amended its regulations that placed additional requirements on the supervising CPA. The board adopted 12 AAC 04.183(e) which stated

*Effective January 1, 1998, the board will only consider an applicant's work performing the attest function if the applicant gained the experience under the direct supervision of a certified public accountant who has completed a minimum of 24 hours of auditing and accounting continuing education during the calendar year immediately before supervising the applicant and during each calendar year after 1996 that the certified public accountant supervised the applicant. [Emphasis added.]*

By adopting such a requirement the board effectively makes a distinction between licensed CPAs based on the nature and extent of their continuing professional education (CPE). Adoption of this regulation suggests that only practicing CPAs that have taken CPE related to auditing and accounting are permitted to act as supervisor and, accordingly, vouch for the hours worked by a CPA applicant performing the attest function. The board seems to be saying that it cannot rely on the "quality" of the attest function hours unless the supervising CPA has the right kind of continuing education hours.

By extension, if a CPA isn't qualified to supervise a CPA candidate, it implies the board should not allow such a CPA to offer their services to the public.

Reliance should be placed on quality control requirements for validity of attest experience

There are better alternative controls in place to assure the quality of an applicant's attest function hours. Since attest function hours are those related to the issuance of a formal opinion on a set of financial statements, the work of the supervising CPA, who vouches for the applicant, must satisfy other quality control regulations that must be followed by professionals issuing financial statement opinions.

Currently, a CPA must indicate on their license renewal application whether they "*issued a report on audited or reviewed financial statements*" – that is, performed the attest function – over the previous two years. If such a report was issued, then the CPA must certify that, within the last three years they had "*undergone a quality review that is acceptable to the board.*" The board then goes on to specify in regulation its requirements for an acceptable quality review. Accordingly, since all attest function experience was presumably gained on work subject to these quality review requirements, it seems this process provides more assurance such experience was appropriate and of sufficient quality than the nature of the supervisor's CPE.

We recommend that the Board of Public Accountancy revoke this licensing regulation, and place more reliance on the quality control program requirement that it has put in place for engagements being worked on by the supervising CPAs who are vouching for the attest function experience of license applicants.

Recommendation No. 2

The Board of Public Accountancy should exercise due care in licensing professionals.

Current state regulation at 12 AAC 04.181(a) and (b) requires that an applicant applying for license as a CPA earn at least a minimum number of what are termed "experience points." These points are awarded based on the applicant's educational and work experience background. Work related experience points must be earned by performing the attest function under the direct supervision of a CPA for the entire experience period.

An applicant was issued a license in January 1999 based on the work experience in a public accounting firm working directly under the supervision of a certified public accountant for the period of January 2, 1996 through January 2, 1999. The accountant that was named as the applicant's direct supervisor for the period, however, was not licensed as a CPA until October 1998. Under the requirements of 12 AAC 04.181 the applicant that applied for licensure is not qualified for licensure since the supervisor only had two months of experience as a CPA.

While the individual who applied for licensure in this instance may be qualified for licensure under the statutes and regulations of the State of Alaska, that qualification was not evident upon review of the applicant's file. We recommend that the Board of Public Accountancy revise its procedures related to issuing licenses to ensure that the supervising official

maintained a current CPA license for the entire supervisory period. This will ensure that future licenses are issued appropriately and in accordance with regulatory requirements.

Recommendation No. 3

The Office of the Governor should ensure that appointments to the board are made in a timely manner.

The Board of Public Accountancy is a seven-member board with two public members and five licensed CPAs appointed by the Office of the Governor.

State law requires vacancies on the board be filled within 60 days. Over the three-year period covered by this review, there were two vacancies that did not receive appointments for over nine months.

We recommend the Office of the Governor fill vacancies in accordance with statute.

## ANALYSIS OF PUBLIC NEED

The following analysis of board activities relate to the "public need factors" set out in the "sunset" review law, AS 44.66.050. The *italicized, shaded, and bold face phrases* are taken from AS 44.66.050 (c) (1) – (9). These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

*Determine the extent to which the board, commissions, or program has operated in the public interest.*

The Board of Public Accountancy has operated in the public interest. The board adopted or revised regulations regarding quality review of CPAs offering audit and review attestation services, cheating on the Uniform CPA examination, and continuing education requirements for applicants renewing their existing licenses.

The board has served the public by adopting quality review regulations<sup>2</sup> similar to those of other states. These are regulations the board originally considered in 1991 and tabled at that time due to logistics of implementation and concern from the professional community of the cost of implementation.

These regulations provide more assurance that Certified Public Accountants practicing in the State of Alaska and issuing attestation reports, independent audits and reviews, on financial statements are providing their audit and review services in accordance with American Institute of Certified Public Accountants (AICPA) guidelines regarding attestation services. The quality review program requires certified public accountants, who are providing audit and review services, to be reviewed in accordance with the American Institute of Certified Public Accountants standards regarding quality review audits.

In protecting the welfare of the public and ensuring a high level of professionalism, competence and moral character the board has served the public through its examination and licensing of qualified applicants. The board changed regulations involving applicants who are caught cheating on the Uniform CPA examination.<sup>3</sup>

The board has protected the public by ensuring that the State's practicing certified public accountants meet the continuing education requirements. The board adopted changes in the current regulations mandating that professionals obtain an additional eight hours of

<sup>2</sup> Alaska Statute 08.04.426 states that the board may by regulation require, on either a uniform or random basis, as a condition to issuance and renewal of permits under this chapter, that applicants undergo a quality review conducted in a manner the board may specify.

<sup>3</sup> State regulation 12 AAC 04.235 states that if the board determines that an applicant has cheated on or breached security provisions of the examination for certified public accountant, the board will:

- (1) void the examination score;
- (2) prohibit the candidate from sitting for future examination;
- (3) refuse to issue a certificate or permit to that applicant based on that examination score; and
- (4) revoke or suspend a certificate or permit issued to that applicant based on that examination score.

continuing education when they fail to meet their continuing education requirements on the renewal date of their license.

*Determine the extent to which the operations 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.*

In 1998, legislation was adopted allowing the board to adopt additional disciplinary regulations for acts of cheating and other unauthorized acts related to the Uniform Certified Public Accountant Examination. This legislation ensures the continued ethical and moral character of future applicants applying for licensure in the State of Alaska.

In 1997, legislation was adopted establishing quality review requirements which became effective January 1, 1998. This legislation ensured that CPAs practicing in the State and issuing attestation reports on financial statements are providing their audit and review services in accordance with AICPA guidelines regarding attestation services. The quality review program requires CPAs, who are providing audit and review services, to be audited themselves in accordance with standards issued by AICPA.

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

The board supported legislation, which was introduced in 1997 that expands the mandate of the board to effect disciplinary action on applicants suspected of cheating on the Uniform CPA examination. The legislation is consistent with the current statute for public accountancy and allows the board to regulate the profession with the same consistency and in the same manner in which it currently oversees the other license-holders and examination applicants under its purview. The legislation was adopted by the legislature in 1998.

The board supported additional legislation that was originally introduced in 1991 allowing the board to adopt quality review regulations. Other jurisdictions have similar quality review standards making this legislation consistent with not only current statutes and regulations, but other jurisdictions' statutes and regulations as well. These statutory provisions were adopted by the legislature in 1997.

*Determine 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 services, economy of service, and availability of services that it has provided.*

The location, date and time of upcoming board meetings and notices of proposed changes in regulations are published in the *Anchorage Daily News*, the *Fairbanks Daily News-Miner* and the *Juneau Empire*. The board's meeting agenda sets aside adequate time for the board to take public comment. Minutes of the board's meetings reflect public participation throughout the meeting. Proposed regulations are circulated to those affected by the proposed regulations

through professional trade journals, public notice advertisement, or direct mail correspondence from the Division of Occupational Licensing.

On one occasion the board failed to provide proper notice of a teleconference meeting. While the Division of Occupational Licensing initiated the purchase for advertising on November 22, 1999 (Monday) for a meeting being held on November 30, 1999 (Tuesday), the order did not arrive at any of the local newspapers in time to be published until November 27, 1999 (Saturday). This provided public notice of only one day. This is not sufficient under AS 08.01.050 or internal Division of Occupational Licensing policy. Additionally, there is only a record of the advertising in one publication. Publications of the notice should occur in all three major population centers of the State.

While the board properly noticed proposed changes in quality review standards for CPAs licensed in the State, many of the affected license holders did not receive notice of the formal regulatory change. As a result, the board issued a significant number of memorandums of agreement allowing practitioners to renew their licenses on the condition they meet the requirements of the regulations within a specified period.

*Determine the extent to which the board has encouraged public participation in the making of its regulations and decisions.*

Public notice of proposed regulations are published in major newspapers. Meetings, on an overall basis, are adequately advertised, and time is set aside for public testimony.

Major proposed regulation changes were circulated throughout the professional community by either direct response mailing to the affected license holders, or providing the proposed changes to the State's accounting organizations. Feedback resulted in changes to the proposed regulations addressing the profession's concerns. The Alaska Society of Certified Public Accountants has requested board support for legislation sought by the society.

*Determine 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 a board or commission is administratively assigned, or with the office of the ombudsman have been processed and resolved.*

During the past three years (FY 98 through FY 00) the Division of Occupational Licensing opened up 28 investigative cases involving activities regulated by the Board of Public Accountancy. Of these 28 investigations, the division has completed and closed 27 cases.

Eight of these 27 cases were resolved by the division without involvement by the board – through the use of a warning letter, 4 instances of voluntary compliance, and 3 determinations of no violation.

For the 19 cases requiring board action, 15 involved the necessity of the practitioner involved to obtain a qualified peer review. The board closed 14 cases by directing the license holder to obtain a qualified peer review as required by regulation, and in the other instance determined that a peer review requirement was not applicable. In the other four cases the board: reinstated two licenses; denied one individual appealing the administrative denial of their license; and directed one licensee to obtain necessary continuing education while fining and reprimanding them. No licenses were revoked, suspended, or placed on probation.

*Determine the extent to which the board regulates entry into an occupation or profession and whether it has presented qualified applicants to serve the public.*

Listed below is a summary of new licenses and permits issued by the board for the period under review.

New Licenses and Permits Issued (Exclusive of Renewals)	FY 98	FY 99	FY 00	Total	Active as of June 30, 2000
Certified Public Accountants	48	49	51	148	766
Resident Partnerships, Corporations and Limited Liability Companies	5	7	8	20	85
Non-resident General Permits	3	5	4	12	11

Overall the application process for licensing appears reasonable and appropriate. The licensing process is neither unduly restrictive nor too lax. Continuing education is required and adequately monitored by the board to promote a high level of quality performance and to help ensure the integrity of the profession.

Each applicant is required to satisfy the requirements for licensing. Board meeting minutes reflect that the board considers each application and verifies the licensing requirements are satisfied prior to issuing a license.

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

The Office of the Ombudsman received no complaints regarding the Division of Occupational Licensing or the Board of Public Accountancy. We did not find any evidence that the board was not complying with the state personnel practices, including affirmative action in qualifying applicants. In no instances has the board denied an applicant a license based on personal attributes.

*Determine the extent to which statutory, regulatory, budgeting or other changes are necessary to enable the board to better serve the interest of the public and to comply with the factors enumerated in this subsection.*

The board continues to recognize the need to evaluate the Americans with Disabilities Act, to determine its impact on the profession. The board will consider whether any statutory or regulatory changes are needed to ensure compliance.

The board, with the assistance of the American Institute of Certified Public Accountants and the National Association of State Boards of Accountancy (NASBA), recognized the need to evaluate and explore implementation of a "substantial equivalency" concept to simplify the licensing of applicants from other jurisdictions by reciprocity. This will allow certified public accountants to practice across state lines in states that meet Uniform Accountancy Act Standards.

The board recognized the need to evaluate standards to ensure that applicants for licensure are qualified and distinguish between qualification standards required of both public and non-public accountants. The board continues to evaluate the existence of business entities that provide public accounting services but are not CPA firms. The board may propose future regulations as needed based upon the actions of other state boards of accountancy and national organizations.

Nationally, the public accounting profession continually considers issues that may have an impact on industry standards. The board continues to be active in addressing these issues ensuring that certified public accountants licensed in the State of Alaska are represented.

November 22, 2000

Legislative Budget and Audit Committee  
Division of Legislative Audit  
PO Box 113300  
Juneau, AK 99811-3300

Dear Ms. Davidson,

Thank you for this opportunity to comment on the Preliminary Audit Report (#08-20000-00). We concur that the Board of Public Accountancy should be continued through June 30, 2005.

Our comments regarding recommendations in the audit are as follows:

Recommendation No. 1. Board of Public Accountancy should revoke regulations specifying the continuing education requirements for practitioners who "vouch" for the experience of license applicants.

Through the chair, the board has stated that the intent of the regulation was to ensure that those who supervised candidates claiming attest hours were, in fact, currently informed of appropriate practices and standards. However, the board does understand the basic issue of the audit recommendation. The board chair stated the board is in the process of reviewing all forms for licensing and renewal, including the processes related thereto and will most certainly consider this recommendation as part of that process review.

Recommendation No. 2. The Board of Public Accountancy should exercise due care in licensing professionals.

The division and the board believe the board has exercised due care. The Board has, in fact, reviewed all candidates' applications using checklists and a second board member has reviewed the work. However, to improve the process, the board chair has stated the board will modify the application form to request of the Supervisory CPA the date of issuance of his or her license.

Recommendation No. 3. The Office of the Governor should ensure that appointments to the board are made in a timely manner.

Through its chair, the board has stated that the board will facilitate in any way possible in assisting the Office of the Governor in finding qualified board members, as need arises in the future.

Sincerely,

Catherine Reardon  
Director

# FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 10  
(S) Publish Date: 1/24/01

Revision Date/Time (Note if correction): 01/19/2001 3:30pm Dept. Affected: DCED  
Title: An Act extending the termination date of the BRU: Occupational Licensing  
Board of Public Accountancy. Component: Occupational Licensing  
Sponsor: Senator Therriault  
Requester: Senate Labor & Commerce Component Number: 2360

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005		
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The bill extends the Board of Public Accountancy to June 30, 2005. Funding for the board is included in the FY 2002 Operating Budget request and new funds are not required. For informational purposes, the attached page shows expenditure and revenue information for the last two fiscal years.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144  
Division: Occupational Licensing Date/Time 1/19/2001 3:30pm  
Approved by: Commissioner, Deborah B. Sedwick Date 1/19/2001  
Agency: Dept. of Community and Economic Development

For distribution information, call the Governor's Legislative Office

ANALYSIS: (continued)  
SB 10: An Act extending the termination date of the Board of Public Accountancy  
Page 2 of 2

<u>FY 1999 Expenditures</u>		<u>FY 2000 Expenditures</u>	
Personal Services:			
Direct	32,189.06	42,786.55	
Indirect	28,317.15	23,533.78	
Travel:			
Direct	14,880.13	13,262.86	
Indirect	400.01	223.89	
Contractual Services:			
Direct	49,354.63	51,956.93	
Indirect	15,818.07	15,629.16	
Supplies:			
Direct	0.35	57.02	
Indirect	1,999.85	1,335.18	
Equipment			
Direct	0.00	0.00	
Indirect	<u>1,428.07</u>	<u>589.29</u>	
TOTAL:	144,387.32	149,374.66	
REVENUE:	63,117.54	279,515.14	