

653

SC

FILE NO. 23

453

data contained in Appendix B was developed by personnel of the Legislative Audit Division.

From Board minutes, the statistical summary of investigative activity and interviews with Board members, public accountants, DOL personnel and others, we conclude that DOL's investigative performance is a weak link in the State of Alaska's chain of public protection from abuses in the field of public accountancy.

\*

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 we were able to cover within the scope of our 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 composed 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 for the past four years, 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. The Division of Occupational Licensing (DOL) has not maintained adequate statistics, records and files for Board use (see Recommendation No. 7)
  2. Investigations of complaints regarding public accountancy matters have not been conducted in a timely manner by the investigative unit of DOL (see Appendix B, Recommendation No. 8 and the DOL Performance Audit Report).

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 recommended amendments to AS 08.04.020 and AS 08.04.420 as well as deletion of AS 08.04.260. None of these recommended statutory revisions has yet been enacted.

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, 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, one complaint concerning the Board's activities was filed with the Ombudsman's Office. The case involved a delay in granting a certificate by reciprocity, and was expeditiously resolved to the Ombudsman's satisfaction

2. No complaints regarding the Board's practices or activities have been recorded by the Division of Occupational Licensing, the Human Rights Commission or the Equal Employment 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. Complaints against licensed accountants are indications of the quality of practice in the State. In the past five years, only seven complaints were filed with DOL charging licensed professionals with unethical, incompetent or unprofessional conduct.
2. The Board has proposed and adopted regulations and standards with respect to acceptable experience necessary for certification.
3. The Board has proposed and adopted regulations for continuing professional education (CPE) as a requisite for license renewal.
4. 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.
5. The Board has instituted a "critique program" to assist applicants in meeting the high standards of the profession.

VIII. The extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission or agency to 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 anyone 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 refer to the previous section, Findings and Recommendations.

\*

APPENDIX A

BOARD OF PUBLIC ACCOUNTANCY

REVENUE COMPARED WITH EXPENDITURES

Fiscal Years 1969 - 1979  
(Unaudited)

<u>Fiscal Year</u>	<u>Revenue</u> <sup>1/</sup>	<u>Expenditures</u>	<u>Difference</u>
1969	\$ 2,131	\$ 2,289	\$- 158
1970	8,865	3,584	+ 5,281
1971	5,605	4,565	+ 1,040
1972	9,605	7,029	+ 2,576
1973	4,585	5,766	- 1,181
1974	14,115	6,108	+ 8,007
1975	6,710	8,388	- 1,678
1976	20,777 <sup>2/</sup>	8,243	+12,534
1977	15,135	11,961	+ 3,174
1978	38,700	15,115	+23,585
1979	21,186	19,922	+ 1,264

Note 1

Renewal registration fees are collected once every two years and cause revenues collected in the first year to be significantly greater than revenues collected in the next year.

Note 2

Fees were increased in 1976 and have not been increased since that time. Current fees are presented in Schedule 1.

Note 3

Expenditures include those made by Board members such as travel, per diem and some general support services such as telephone, postage, and examination expenses. They do not include that portion of the D.O.L. administrative expense allocated to the Board of Public Accountancy or of expenditures of other departments such as Department of Law, that may be assisting the Board and D.O.L.

Source: Alaska Division of Occupational Licensing and Annual Reports of the Department of Commerce and Economic Development.

SCHEDULE 1

STATE BOARD OF PUBLIC ACCOUNTANCY

VARIOUS FEES:

Uniform CPA Examination - \$50.00 each sitting (fee is not prorated by number of parts taken)

Licensing and Certification Fees - (fees are the same for original certification and for biennial renewals)

Active CPA or PA	-	\$ 60.00
Inactive CPA or PA	-	\$ 20.00
Resident Partnership	-	\$ 60.00
Resident Corporation	-	\$ 60.00
Non-Res Partnership	-	\$200.00
Non-Res Corporation	-	\$200.00
Non-Res Permit (Individual)	-	\$200.00

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Registration of Office	-	No Fee
PA Partnerships, Change in Partners	-	\$5.00

\* All delinquent renewal fees (60 days past deadline) are subject to a \$10.00 penalty fee.

Duplicate license fee	-	\$ 2.00
Duplicate certificate fee	-	\$10.00

APPENDIX B

INVESTIGATION STATISTICS

N.B. -- The scope of this Performance Review required that an analysis be made of complaints received by D.O.L. regarding public accountancy, and the disposition of any investigations conducted. Because the files maintained by the Investigative Section of D.O.L. are considered confidential in nature, the contractor was not allowed access. It was necessary for the contractor to seek assistance from Division of Legislative Audit personnel who have the authority to review confidential files of the various agencies. Personnel from the Division of Legislative Audit prepared a statistical analysis of the complaints received without divulging any confidential information on specific individuals. That analysis is included in this report and forms the basis for conclusions regarding the investigative unit.

The letter on the following page indicates the information requested from the Division of Legislative Audit by the contractor.

In response to this letter, the contractor was supplied the following report from the Division of Legislative Audit:

\* \* \* \* \*

DEPARTMENT OF COMMERCE - OCCUPATIONAL LICENSING  
State Board of Accountancy - Complaints/Investigations  
Purpose, Scope & Conclusion - F.Y. 1980

Purpose

To provide R.W. Pavitt & Associates, Inc., and Homan-McDowell Associates with statistical information regarding complaints and investigations filed with the Department of Commerce and Economic Development, State Board of Accountancy.

R. W. PAVITT AND ASSOCIATES, INC.  
AND  
HOMAN-McDOWELL ASSOCIATES

- 23 -

August 8, 1979

Legislative Audit Division  
State of Alaska  
Pouch W  
Juneau, Alaska 99811

Attention: Merle R. Jenson, Deputy Legislative Auditor

Dear Mr. Jenson:

We have reached a point in the conduct of the Performance Review of the Alaska State Board of Public Accountancy where information is needed with respect to complaints and investigations regarding the practice of public accountancy.

As you know, we do not have access to confidential files, and the available statistical information on investigations is not in a format that is of use to us in our review.

We request your assistance, therefore, in providing us with the following information pertaining to the responsibilities of the Board of Public Accountancy:

1. Number of complaints, 1975-present, by year.
2. Source of complaint...(member of public, Consumer Protection Agency, Board, board member, licensee, etc.)
3. Nature of complaint...(unlicensed practitioner, incompetent performance, overcharging for services, fraudulent or unlawful practices, criminal activity, etc.)
4. Action taken on complaint...(date received by DOL, investigative assignment, time devoted to investigation, etc.)
5. Disposition of complaint...(reported to Board, referred to AG's Office, investigation continued, investigation dropped [reason], investigation closed)

To be of maximum value in the development of review findings, this information should be received no later than August 31, 1979.

Yours truly,



R. W. Pavitt, AICP  
President

RWP/bp

Scope

We will review the complaint files provided to us by the Department of Commerce and Economic Development for the period beginning 1975 to present.

Summary of Field Work

Following are statistics compiled from the case files provided to the auditor by the Investigative Unit of the Department of Commerce and Economic Development:

Case files reviewed	38
Duplicate files	<u>(3)</u>
Total Cases	<u>35</u>

Source of Complaints

Public	15
Consumer Protection Board	0
Licensee	5
Other (& unknown)	2
Total	<u>13</u>
	<u>35</u>

Nature of Complaint

Unlicensed	14
Incompetent	5
Overcharged	3
Fraud	2
Criminal Activity	6
Other (& unknown)	8
Total	<u>38</u>

Disposition of Complaints

<u>Reported to Board</u>	<u>6</u>
Pending next Board Meeting	20
<u>Referred to A.G.</u>	2
<u>Investigation Cont.</u>	10
<u>Investigation Closed</u>	<u>25</u>

There are three investigators who work on complaints for the whole Department. Two of these are in Anchorage and one is in Juneau.

Once a complaint is filed ideally a control card is established. The original and fourth copy are kept in Juneau and the duplicate and tripliate are sent to Anchorage. Ideally, copies of complaints for the Anchorage/Juneau area are sent within one week to the appropriate investigator.

Prior to July 1978 all complaints were either kept in alphabetical order or in the licensee's file.

In September 1978 an inventory was taken of those complaints. Old cases were renumbered beginning with 5,000. However, because there are numerous licensee files, it is believed that not all complaints were included in this inventory. Thus, the exact number of complaint files provided for review is questionable.

Numerous cases were closed because of age after the inventory was taken. Additionally, if any cases were marked closed and no documentation existed in the file, it could be because an investigator called from Anchorage informing the Juneau office that the case was investigated and closed.

When cases are assigned the information is placed on the control card.

Information Source: DC&ED, Occ. Lic., Dick Long, Chief Investigator and Sue O'Brien, Adm. Support Tech I.

Comments

The following conditions existed:

1. Cases marked "closed" with the closure dated 9/78 still, one year later, had not gone before the Board.

- 2. The "unknown" listed cases are the result of lack of documentation in the file to extract such information; and
- 3. The files contained duplicate copies of documents and/or undecipherable notes on scraps of paper. Dick Long, Chief Investigator was on annual leave during the testing and thus was not available for comments or explanation.

Furthermore we were informed that the possibility existed that additional complaints had been filed other than what we were provided. We were informed that these complaints were in the licensee's file if they existed.

\* \* \* END \* \* \*

The preceding concludes the Division of Legislative Audit report. The following comments are those of the contractor:

A review of Alaska State Board of Accountancy minutes for the past two years shows the continuing difficulty of the Board in acquiring adequate information regarding complaints and investigations.

<u>Date of Board Meeting</u>	<u>Remarks Regarding Investigations and Complaints</u>
September 23, 1977	"The board would like a detailed report from Richard Long, Violations Officer, of the pending investigations on file for the next meeting."
October 17, 1977	No Report
December 2, 1977	No Report
March 17-18, 1978	No Report
August 21, 1978	No Report

September 28-29, 1978

Report by Richard Long, Violations Officer on five cases. Don Hestak, D.O.L. Director "reported that 23 of the 33 pending cases involving the Public Accountancy Board were in the process of being closed. The Board will be asked to approve these actions at a future meeting."

November 30-December 1, 1978

No Report

January 12, 1979

No Report

March 23-24, 1979

"Frank Moore reported on the division's investigations and reports of violations regarding public accounts." "He reported on cases pending and informed the board that there were no cases ready for closure at this time."

August 1-2, 1979

No Report

Further analysis of the information furnished by the Legislative Research Division shows that the 38 cases found in the investigative files of D.O.L. represented cases opened in the following years.

<u>Year</u>	<u>No. Cases Opened</u>
1973	1
1974	0
1975	2
1976	18
1977	3
1978	4
1979	10
Total	38

This seems to be in conflict with a September 12, 1978 letter from the Chief Investigator of D.O.L. to the Division of Legislative Audit which states that (1) there were three complaints filed between July 1, 1977 and June 30, 1978; (2) there was one complaint closed between July 1, 1977 and June 30, 1979; and (3) there were fourteen total number of cases in the file.

Three main problems are evident in this analysis, (1) there is a lack of proper procedure and documentation involving the investigation of complaints and (2) there is a lack of follow-through on closing out cases that have been investigated and presenting them to the Board of Public Accountancy, and (3) complaint cases are not handled in a timely manner since more than half are older than four years.

APPENDIX C

BOARD OF PUBLIC ACCOUNTANCY

STATISTICAL INFORMATION

SCHEDULE 1

Certificates Issued by Year by Type

<u>Fiscal Year</u>	<u>Number Issued</u>	<u>By Examination</u>	<u>By Reciprocity</u>
1961	16	4	12
1963	10	7	3
1965	12	6	6
1967	15	7	8
1969	18	9	9
1970	4	3	1
1971	48	20	28
1972	25	14	11
1973	37	20	17
1974	27	16	11
1975	37	11	26
1976	37	9	28
1977	66	33	33
1978	67	36	31
1979	79	46	33

Note 1

As of August 1979 there were 629 CPA certificates issued.

Source: Files of Licensing Examiner, Division of Occupational Licensing.

ALASKA CANDIDATES: CPA Test Results

CPA Examination Statistics for  
November 1977, May 1978, November 1978, May 1979

	<u>May 1979</u>		<u>November 1978</u>		<u>May 1978</u>		<u>November 1977</u>	
	<u>N</u>	<u>%</u>	<u>N</u>	<u>%</u>	<u>N</u>	<u>%</u>	<u>N</u>	<u>%</u>
Total sitting	141	100%	120	100%	116	100%	112	100%
Total sitting first time	39		27		37		30	
Total taking all four parts	72		54		53		57	
Passed all four parts	6		1		4		1	
Completed test	23		20		20		18	
Total	<u>29</u>	21%	<u>21</u>	17.5	<u>24</u>	21	<u>19</u>	17
<u>Conditioned</u>								
First time	7		7		9		8	
Repeat of all four	8		9		4		5	
First time taking less than four parts	2		1		1		1	
Repeat, taking less than four parts	4		3		2		4	
Total	<u>21</u>	15%	<u>20</u>	17	<u>16</u>	13	<u>18</u>	16
Added parts to prior conditioning	<u>12</u>	8%	<u>10</u>	8	<u>10</u>	9	<u>8</u>	7
<u>Failed</u>								
First time	22		19		17		20	
Repeat all four	29		28		19		23	
First time-taking less than four parts	5		2		6		1	
Repeat-taking less than four parts	13		6		4		2	
To add parts to a prior condition	10		14		20		21	
Total	<u>79</u>	56%	<u>69</u>	57.5	<u>66</u>	57	<u>67</u>	60
Total	<u>141</u>	<u>100%</u>	<u>120</u>	<u>100%</u>	<u>116</u>	<u>100%</u>	<u>112</u>	<u>100%</u>

ALASKA: CPA Test Results

	<u>May 1979</u>	<u>November 1978</u>	<u>May 1978</u>	<u>November 1977</u>
Auditing:	Pass	23	25	22
	Fail	77	73	67
	Total	<u>108</u>	<u>96</u>	<u>87</u>
Theory:	Pass	40	18	22
	Fail	68	69	56
	Total	<u>108</u>	<u>87</u>	<u>78</u>
Practice:	Pass	24	20	23
	Fail	71	60	47
	Total	<u>95</u>	<u>80</u>	<u>70</u>
Law:	Pass	33	24	29
	Fail	76	69	63
	Total	<u>109</u>	<u>93</u>	<u>92</u>

(%) Percentage of students who passed.

Note 1

For more detailed statistics for the years 1973-1978 see: A Profile of Alaskan Certified Public Accounting Candidates, by Charlotte Stuart.

Source: Statistics compiled by Charlotte Stuart, Board of Public Accountancy President

SCHEDULE 3

CURRENT CERTIFICATES AND LICENSES

<u>Individual CPA Certificates</u>	
Active	395
Inactive	97
 <u>Chartered Accountants</u>	
(United Kingdom)	2 <sup>1/</sup>
 <u>Individual PA Licenses</u>	
Active	7 <sup>2/</sup>
Inactive	1
 <u>Resident Partnerships</u>	
Active	27
 <u>Non-Resident Partnerships</u>	
Active	10
 <u>Corporations</u>	
Active	16

Note 1

Includes one who also holds a CPA Certificate.

Note 2

Includes two who also hold a CPA Certificate.

Source: Division of Occupational Licensing, Department of Commerce and Economic Development. September 1979.

APPENDIX D

SURVEY QUESTIONNAIRE SENT TO ACCOUNTANTS

A questionnaire and explanatory letter was sent to a randomly-selected "universe" of resident active and inactive CPA's and PA's. 222 questionnaires were mailed with the expectation that approximately 200 would reach the intended recipients. (We assumed that about 10% would prove undeliverable by reason of poor address, moved, left Alaska, died, etc.)

The questionnaires were mailed from Juneau on August 22, 1979. As of September 21, we had received 123 completed responses, and 22 were returned as undeliverable by the Post Office. Assuming that 200 questionnaires reached their destination, our actual response rate was a remarkable 61.5%, indicating that professional accountants in Alaska take the possible effects of "Sunset" on their profession quite seriously.

Of the 123 respondents, 84 (or 68%) indicated that they are in the public practice of accountancy; 19 (16%) practice private accounting; 10 (8%) are governmental accountants; 3 (2%) teach accounting, while 7 (6%) are employed outside the accounting profession. Geographic breakdown of the respondents was as follows:

<u>LOCATION</u>	<u>NUMBER OF RESPONDENTS</u>	<u>% OF TOTAL RESPONSE</u>
Anchorage	90	73.4 %
Fairbanks	9	7.3
Juneau	9	7.3
Ketchikan	2	1.6
Kenai	2	1.6
Soldotna	2	1.6
Kodiak	2	1.6
Bethel	1	.8
Gustavus	1	.8
Valdez	1	.8
Wasilla	1	.8
Unknown (no postmark)	3	2.4
	<u>123</u>	<u>100.0 %</u>

Only 6 respondents (4.8%) feel that State regulation of public accountancy is unnecessary, while 97.5% feel that Alaska should continue to license accountants.

91.8% disagreed with the statement that "Public Accountants (PA's) should be permitted to perform the audit (attest) function" (see Recommendation No. 3 in the FINDINGS AND RECOMMENDATIONS section of this report).

66.6 % of the respondents feel that the education and experience requirements for licensing in Alaska are "just about right". 15.4% think they are too low while 13.8% believe them to be too high. (4% expressed no opinion).

A surprising 76.4% agreed with the requirement for continuing professional education as a requisite for license renewal, while 20.3% don't feel it is necessary. 55.3% believe that an "open-book" ethics exam should be a condition of licensure, while 31.7% oppose such an action.

41 (33.3%) of the respondents accepted the invitation to make additional comments on subjects concerning the present method of regulating public accountancy in Alaska. Comments offered ranged from the penning of a few critical lines to a typewritten two-page letter accompanying the completed questionnaire. All of the completed questionnaires along with the added comments have been submitted with the working papers of this report to the Legislative Audit Division, where they are presently filed.

The comments are grouped and summarized as follows:

comments on the Board

- the Board is necessary and should be continued. (4 comments)
- all CPA's on the Board should be in public practice (3 comments)

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comments on the Board

- the Board is necessary and should be continued. (4 comments)
- all CPA's on the Board should be in public practice (3 comments)

- DOL is inefficient.
- Policing of profession is almost non-existent. (2 comments)
- Investigation of complaints needs more attention. (2 comments)
- Proposed ethics exam should be "closed-book", and made part of the Uniform CPA examination.

The following pages include the explanatory letter sent out with the questionnaires, and the questionnaire itself, tabulated totally, with breakdowns of each responsorial group following:

- Page - 37 - letter accompanying survey questionnaires
- Page - 38 - tabulation of all responses
- Page - 39 - tabulation of responses from accountants in public practice
- Page - 40 - tabulation of responses from accountants in private practice
- Page - 41 - tabulation of responses from accountants in governmental accounting
- Page - 42 - tabulation of responses from accountants engaged in the teaching of accountancy
- Page - 43 - tabulation of responses from accountants engaged in employment outside the accounting profession

R. W. PAVITT AND ASSOCIATES, INC.  
AND  
HOMAN-McDOWELL ASSOCIATES

- 37 -

August 22, 1979

Dear Alaskan Accountant:

Under the State's "Sunset Law" (AS 44.66), the Alaska State Board of Public Accountancy will terminate on June 30, 1980 unless the Legislature takes positive action to continue it beyond that date.

The Legislative Audit Division, which is charged by law with conducting in-depth performance reviews of each board, commission or agency named in the sunset legislation, has determined that in the case of the Board of Public Accountancy, independence and objectivity would be better served by contracting the review to a qualified management consulting firm than by performing the audit in-house. R. W. Pavitt and Associates, Inc. and Homan-McDowell Associates have been selected to conduct the review, and must complete the report by October 1, 1979.

Our major effort in this study has been to seek answers to several questions that we feel are basic to the issue (which the Legislature must face) of continuing the Board or allowing it to terminate:

- (1) Is State regulation of public accountancy in the public interest?
- (2) Do the statutes and regulations presently in force in Alaska assure the public of competent and qualified practitioners?
- (3) Does the Alaska State Board of Public Accountancy (as presently constituted) provide the most appropriate and effective method of regulating these professional services?

In connection with our review, we request that you take a few minutes to complete the enclosed questionnaire and mail it back. Our "universe" for the recipients of the questionnaire consists of the roster of resident active and inactive Certified Public Accountants and Public Accountants, and the "sample" used amounts to 33.3% (every 3rd name) of that roster.

Your response to the questionnaire will be anonymous, and we hope that you will feel free to add any comments you may have regarding the present method of regulating public accountancy in Alaska.

In order to be tabulated, questionnaires must be received no later than September 10, 1979. Thank you for your cooperation in this matter.

Sincerely,

*Bob Pavitt*

R. W. Pavitt, AICP  
President  
R. W. PAVITT & ASSOCIATES, INC.

*Frank M. Homan*

Frank M. Homan  
Partner  
HOMAN-McDOWELL ASSOCIATES

QUESTIONNAIRE - BPA \_\_\_\_\_ - 38 -

Please indicate your agreement or disagreement with the following statements

	<u>AGREE</u>	<u>DISAGREE</u>	<u>NO OPINION</u>
1. The State of Alaska should continue to license accountants.	<u>120</u>	<u>2</u>	<u>1</u>
2. The State should continue to license a class of accountants in addition to CPA's --i.e. Public Accountants (PA's)	<u>40</u>	<u>79</u>	<u>4</u>
3. Public Accountants (PA's) should be permitted to perform the audit (attest) function.	<u>9</u>	<u>113</u>	<u>1</u>
4. Applications and renewals are handled efficiently by the Division of Occupational Licensing (DOL).	<u>80</u>	<u>14</u>	<u>29</u>
5. Complaints regarding public accountancy services are investigated efficiently by DOL.	<u>18</u>	<u>25</u>	<u>80</u>
6. The current license renewal fees are too high.	<u>19</u>	<u>83</u>	<u>21</u>
7. The Board of Public Accountancy is doing a good job of presenting competent and qualified accountants to serve the public need.	<u>83</u>	<u>20</u>	<u>20</u>
8. The education and experience requirements for licensure in Alaska are:			
(a) too high	<u>17</u>	<u>    </u>	<u>    </u>
(b) just about right	<u>82</u>	<u>    </u>	<u>5</u>
(c) too low	<u>19</u>	<u>    </u>	<u>    </u>
9. Documentation of continuing professional education (CPE) should be a requirement of license renewal.	<u>94</u>	<u>25</u>	<u>1</u>
10. An "open-book" ethics examination should be required before licensure.	<u>68</u>	<u>39</u>	<u>16</u>
11. State regulation of public accountancy is unnecessary.	<u>6</u>	<u>113</u>	<u>4</u>

I am presently engaged:

in the public practice of accounting	<u>84</u>
in the private practice of accounting	<u>19</u>
in governmental accounting	<u>10</u>
in the teaching of accountancy	<u>3</u>
outside of the accounting profession	<u>7</u>

Please feel free to comment on the reverse side. THANK YOU FOR YOUR HELP

QUESTIONNAIRE - BPA - 39 -

Please indicate your agreement or disagreement with the following statements

	<u>AGREE</u>	<u>DISAGREE</u>	<u>NO OPINION</u>
1. The State of Alaska should continue to license accountants.	<u>82</u>	<u>1</u>	<u>1</u>
2. The State should continue to license a class of accountants in addition to CPA's --i.e. Public Accountants (PA's)	<u>24</u>	<u>59</u>	<u>1</u>
3. Public Accountants (PA's) should be permitted to perform the audit (attest) function.	<u>7</u>	<u>77</u>	<u>-</u>
4. Applications and renewals are handled efficiently by the Division of Occupational Licensing (DOL).	<u>59</u>	<u>8</u>	<u>17</u>
5. Complaints regarding public accountancy services are investigated efficiently by DOL.	<u>10</u>	<u>20</u>	<u>54</u>
6. The current license renewal fees are too high.	<u>9</u>	<u>63</u>	<u>12</u>
7. The Board of Public Accountancy is doing a good job of presenting competent and qualified accountants to serve the public need.	<u>60</u>	<u>15</u>	<u>9</u>
8. The education and experience requirements for licensure in Alaska are:			
(a) too high	<u>13</u>	<u>---</u>	<u>---</u>
(b) just about right	<u>56</u>	<u>---</u>	<u>1</u>
(c) too low	<u>14</u>	<u>---</u>	<u>---</u>
9. Documentation of continuing professional education (CPE) should be a requirement of license renewal.	<u>70</u>	<u>14</u>	<u>-</u>
10. An "open-book" ethics examination should be required before licensure.	<u>50</u>	<u>24</u>	<u>10</u>
11. State regulation of public accountancy is unnecessary.	<u>3</u>	<u>78</u>	<u>3</u>

I am presently engaged:

in the public practice of accounting 84  
in the private practice of accounting ---  
in governmental accounting ---  
in the teaching of accountancy ---  
outside of the accounting profession ---

Please feel free to comment on the reverse side. THANK YOU FOR YOUR HELP

QUESTIONNAIRE - BPA - 40 -

Please indicate your agreement or disagreement with the following statements

	<u>AGREE</u>	<u>DISAGREE</u>	<u>NO OPINION</u>
1. The State of Alaska should continue to license accountants.	<u>19</u>	<u>-</u>	<u>-</u>
2. The State should continue to license a class of accountants in addition to CPA's --i.e. Public Accountants (PA's)	<u>10</u>	<u>9</u>	<u>-</u>
3. Public Accountants (PA's) should be permitted to perform the audit (attest) function.	<u>1</u>	<u>18</u>	<u>-</u>
4. Applications and renewals are handled efficiently by the Division of Occupational Licensing (DOL).	<u>10</u>	<u>1</u>	<u>8</u>
5. Complaints regarding public accountancy services are investigated efficiently by DOL.	<u>5</u>	<u>1</u>	<u>13</u>
6. The current license renewal fees are too high.	<u>4</u>	<u>10</u>	<u>5</u>
7. The Board of Public Accountancy is doing a good job of presenting competent and qualified accountants to serve the public need.	<u>13</u>	<u>1</u>	<u>5</u>
8. The education and experience requirements for licensure in Alaska are:			
(a) too high	<u>2</u>	<u>---</u>	<u>---</u>
(b) just about right	<u>13</u>	<u>---</u>	<u>1</u>
(c) too low	<u>3</u>	<u>---</u>	<u>---</u>
9. Documentation of continuing professional education (CPE) should be a requirement of license renewal.	<u>13</u>	<u>5</u>	<u>1</u>
10. An "open-book" ethics examination should be required before licensure.	<u>8</u>	<u>8</u>	<u>3</u>
11. State regulation of public accountancy is unnecessary.	<u>1</u>	<u>18</u>	<u>-</u>

I am presently engaged:

- in the public practice of accounting
- in the private practice of accounting 19
- in governmental accounting ---
- in the teaching of accountancy ---
- outside of the accounting profession ---

Please feel free to comment on the reverse side. THANK YOU FOR YOUR HELP

QUESTIONNAIRE - BPA - 41 -

Please indicate your agreement or disagreement with the following statements

	<u>AGREE</u>	<u>DISAGREE</u>	<u>NO OPINION</u>
1. The State of Alaska should continue to license accountants.	<u>9</u>	<u>1</u>	<u>-</u>
2. The State should continue to license a class of accountants in addition to CPA's --i.e. Public Accountants (PA's)	<u>2</u>	<u>6</u>	<u>2</u>
3. Public Accountants (PA's) should be permitted to perform the audit (attest) function.	<u>-</u>	<u>10</u>	<u>-</u>
4. Applications and renewals are handled efficiently by the Division of Occupational Licensing (DOL).	<u>4</u>	<u>2</u>	<u>4</u>
5. Complaints regarding public accountancy services are investigated efficiently by DOL.	<u>-</u>	<u>3</u>	<u>7</u>
6. The current license renewal fees are too high.	<u>4</u>	<u>3</u>	<u>3</u>
7. The Board of Public Accountancy is doing a good job of presenting competent and qualified accountants to serve the public need.	<u>5</u>	<u>2</u>	<u>3</u>
8. The education and experience requirements for licensure in Alaska are:			
(a) too high	<u>1</u>	<u>---</u>	<u>---</u>
(b) just about right	<u>8</u>	<u>---</u>	<u>1</u>
(c) too low	<u>-</u>	<u>---</u>	<u>---</u>
9. Documentation of continuing professional education (CPE) should be a requirement of license renewal.	<u>6</u>	<u>3</u>	<u>1</u>
10. An "open-book" ethics examination should be required before licensure.	<u>3</u>	<u>3</u>	<u>4</u>
11. State regulation of public accountancy is unnecessary.	<u>2</u>	<u>8</u>	<u>-</u>

I am presently engaged:

in the public practice of accounting ---  
in the private practice of accounting ---  
in governmental accounting 10  
in the teaching of accountancy ---  
outside of the accounting profession ---

Please feel free to comment on the reverse side. THANK YOU FOR YOUR HELP

QUESTIONNAIRE - BPA \_\_\_\_\_ - 42 -

Please indicate your agreement or disagreement with the following statements

	<u>AGREE</u>	<u>DISAGREE</u>	<u>NO OPINION</u>
1. The State of Alaska should continue to license accountants.	<u>3</u>	<u>-</u>	<u>-</u>
2. The State should continue to license a class of accountants in addition to CPA's --i.e. Public Accountants (PA's)	<u>1</u>	<u>2</u>	<u>-</u>
3. Public Accountants (PA's) should be permitted to perform the audit (attest) function.	<u>-</u>	<u>3</u>	<u>-</u>
4. Applications and renewals are handled efficiently by the Division of Occupational Licensing (DOL).	<u>2</u>	<u>1</u>	<u>-</u>
5. Complaints regarding public accountancy services are investigated efficiently by DOL.	<u>-</u>	<u>1</u>	<u>2</u>
6. The current license renewal fees are too high.	<u>-</u>	<u>3</u>	<u>-</u>
7. The Board of Public Accountancy is doing a good job of presenting competent and qualified accountants to serve the public need.	<u>2</u>	<u>1</u>	<u>-</u>
8. The education and experience requirements for licensure in Alaska are:			
(a) too high	<u>1</u>	<u>---</u>	<u>---</u>
(b) just about right	<u>1</u>	<u>---</u>	<u>---</u>
(c) too low	<u>1</u>	<u>---</u>	<u>---</u>
9. Documentation of continuing professional education (CPE) should be a requirement of license renewal.	<u>2</u>	<u>1</u>	<u>-</u>
10. An "open-book" ethics examination should be required before licensure.	<u>2</u>	<u>1</u>	<u>-</u>
11. State regulation of public accountancy is unnecessary.	<u>-</u>	<u>3</u>	<u>-</u>

I am presently engaged:

in the public practice of accounting ---  
in the private practice of accounting ---  
in governmental accounting ---  
in the teaching of accountancy 3  
outside of the accounting profession ---

Please feel free to comment on the reverse side. THANK YOU FOR YOUR HELP

QUESTIONNAIRE - BPA - 43 -

Please indicate your agreement or disagreement with the following statements

	<u>AGREE</u>	<u>DISAGREE</u>	<u>NO OPINION</u>
1. The State of Alaska should continue to license accountants.	<u>7</u>	<u>-</u>	<u>-</u>
2. The State should continue to license a class of accountants in addition to CPA's --i.e. Public Accountants (PA's)	<u>3</u>	<u>3</u>	<u>1</u>
3. Public Accountants (PA's) should be permitted to perform the audit (attest) function.	<u>2</u>	<u>4</u>	<u>1</u>
4. Applications and renewals are handled efficiently by the Division of Occupational Licensing (DOL).	<u>4</u>	<u>1</u>	<u>2</u>
5. Complaints regarding public accountancy services are investigated efficiently by DOL.	<u>2</u>	<u>-</u>	<u>5</u>
6. The current license renewal fees are too high.	<u>2</u>	<u>4</u>	<u>1</u>
7. The Board of Public Accountancy is doing a good job of presenting competent and qualified accountants to serve the public need.	<u>3</u>	<u>1</u>	<u>3</u>
8. The education and experience requirements for licensure in Alaska are:			
(a) too high	<u>-</u>	<u>---</u>	<u>---</u>
(b) just about right	<u>4</u>	<u>---</u>	<u>2</u>
(c) too low	<u>1</u>	<u>---</u>	<u>---</u>
9. Documentation of continuing professional education (CPE) should be a requirement of license renewal.	<u>5</u>	<u>2</u>	<u>-</u>
10. An "open-book" ethics examination should be required before licensure.	<u>4</u>	<u>2</u>	<u>1</u>
11. State regulation of public accountancy is unnecessary.	<u>-</u>	<u>7</u>	<u>-</u>

I am presently engaged:

in the public practice of accounting ---  
in the private practice of accounting ---  
in governmental accounting ---  
in the teaching of accountancy ---  
outside of the accounting profession 7

Please feel free to comment on the reverse side. THANK YOU FOR YOUR HELP



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

December 4, 1979

RECEIVED

DEC 5 1979

LEGISLATIVE  
AUDIT

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

Dear Mr. Wilkerson:

We have reviewed the enclosed agency responses to your preliminary report entitled:

"A Performance Review of the Alaska State Board of Public Accounting"

The Office of the Governor recognizes the importance of keeping appointments up-to-date with qualified professional and public members. Please be assured that every effort is being made to comply with your Recommendation No. 2.

While the agency responses make certain references to or allude to budget restrictions which limit the capacity of the Board and Division of Occupational Licensing, it has been well recognized that most or all budgets for State functions have been similarly restricted. Therefore, anticipated progress in implementing your recommended enhancements would appear subject to current and future fundings.

Otherwise those responses appear adequate and self-explanatory.

Sincerely,

A handwritten signature in cursive script that reads "Richard A. Smith".

Richard A. Smith  
State Internal Auditor

RAS/PJA/mjc  
Enclosures

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF OCCUPATIONAL LICENSING

POUCH D  
JUNEA 1, ALASKA 99811

November 29, 1979

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

RECEIVED

DEC 5 1979

LEGISLATIVE  
AUDIT

Dear Mr. Wilkerson:

I have reviewed the preliminary audit report on "A Performance Review of the Alaska State Board of Public Accountancy October 1, 1979". On behalf of the Alaska State Board of Public Accountancy the following comments related to that report are submitted:

### Recommendation 1:

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

### Response:

We concur with the concept of this recommendation. The Governor at the request of the Alaska State Board of Public Accountancy introduced during the last session of the Legislature a bill changing the makeup of the State Board of Accountancy in a manner similar to that which is recommended. The proposed legislation (Committee Substitute for Senate Bill No. 185) amends AS 08.04.020 to read as follows: "Appointment and qualifications of Board. The Board consists of seven members appointed by the Governor. Each member shall be a resident of this state for at least one year. Three members shall be certified public accountants, two members shall be public members in accordance with AS 08.01.025, and the remaining members shall be individuals licensed under this chapter." Committee Substitutes for Senate Bill No. 185 has passed the State Senate and currently is being held by the House Commerce Committee. We strongly urge that the House Commerce Committee act favorably on this bill early in the next session of the Legislature.

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Division of Legislative Audit  
November 27, 1979  
Page 2

Recommendation 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.

Response:

The Board concurs with this recommendation. On January 11, 1979 Roxanne Kemp, a public member, and I met with Jessie Dodson of the Governor's staff to discuss appointments to the vacancies on the State Board. We requested the filling of these vacancies as soon as possible. The meeting with the Governor's staff is covered in the March 23-24, 1979 minutes of the State Board of Accountancy. The Board was notified that the Governor appointed an additional member to the Board on October 31, 1979. After this appointment one vacancy for an unlicensed member remains.

Recommendation 3:

Without effecting the rights and privileges of presently licensed public accountants, the accountancy laws should be amended to discontinue the licensing of new applicants as public accountants.

Response:

We concur with this recommendation. The need for a comprehensive review and revision of the State Accountancy Act has been scheduled for discussion during the Board's meeting on December 6 and 7, 1979.

Recommendation 4:

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

Response:

The State Board of Accountancy has no objection to this recommendation. In the past we have cooperated with the Division of Occupational Licensing policy regarding the retention of tape recordings of Board meetings.

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Division of Legislative Audit  
November 29, 1979  
Page 3

Recommendation 5:

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

Response:

We concur with this recommendation. The Board has taken some steps to comply with this recommendation. The steps taken are as follows:

1. The Board's proposed budget for the year ending June 30, 1981 contains narrative in support of the Board's goals for 1981 and the associated costs to obtain those goals. This budget was adopted during the Board's March 23-24, 1979 meeting and submitted to the Department of Commerce.
2. During the March 23-24, 1979 meeting a listing of Board policies was derived from prior Board minutes. This listing was distributed to each Board member for review. These policies were formally adopted during the October 1-2, 1979 Board meeting.
3. Board goals and objectives were established and adopted during the August 1-2, 1979 meeting.
4. The State Board of Accountancy prepared a report of its actions for the year ending June 30, 1979. This report was approved during the August 1-2, 1979 Board meeting and submitted to the Division of Occupational Licensing.

It is our understanding that the Board has no statutory requirement for an annual report (calendar year report) but the Board does have a statutory requirement for a yearly performance report (year ending June 30). Therefore we interpret Recommendation 5 to relate to the performance report rather than an annual report.

Recommendation 6:

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

Response:

We have no objection to this recommendation. It should be noted that the possible conflict referred to in this recommendation was made known during the confirmation hearings of the current unlicensed board member.

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Division of Legislative Audit  
November 29, 1979  
Page 4

Recommendation 7:

DOL should develop improved statistical record keeping methods and procedures.

Response:

We concur with this recommendation. A board member, Charlotte Stuart, has prepared significant statistical data regarding Alaska CPA examination results. Part of Mrs. Stuart's work is contained as pages 30 and 31 of the Performance Review of the Alaska State Board of Public Accountancy. It would be helpful if DOL could prepare statistical data for Board use.

Recommendation 8:

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

Response:

We strongly endorse this recommendation. A DOL investigator met with the Board during its October 1-2, 1979 meeting and discussed thirty-seven (37) cases. As a result of this meeting twenty-four (24) cases were closed. The Board requested additional data on ten (10) cases be presented at its December 6-7, 1979 meeting. The three (3) remaining cases are still being investigated by DOL. This is the first comprehensive report we have received from DOL.

Two provisions of AS 44.66.050 (c) are as follows:

1. "The extent to which the board, commission or agency has recommended statutory changes which are generally of benefit to the public interest."
2. "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."

In addition to the Board's activity related to provision one (1) above, (page 17 of the audit report) the State Board of Accountancy has opposed statutory changes to AS 08.04 which were not generally of benefit to the public interest.

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Division of Legislative Audit  
November 29, 1979  
Page 5

The Board believes that the following budgetary changes are necessary for it to comply with provision two (2) above: (page 19 of the audit report)

1. The State should provide adequate money for the Board to fulfill its duties. Examples of inadequate monies for the year ending June 30, 1980 are:
  - o Monies for only three (3) Board meetings were appropriated. The Board should have four (4) meetings per year. Estimated additional cost - \$2,800.
  - o No monies were appropriated for the Board to appear before the Legislature on Sunset hearings. Estimated additional cost - \$1,700.
  - o No monies were appropriated for Board members to attend meetings of the National Association of State Boards of Accountancy. Yet Board members are expected to be proficient in administration and policing of accountancy in Alaska.

The National Association of State Boards of Public Accountancy, of which Alaska is a member, has several ongoing programs which affect Alaska. Some of these programs are:

- o Entry Level Licensing - This program develops standards for entry into the profession to insure that the examination content, procedures for administering the examination, security of the examination content and grading the examination are proper. The accounting profession is unique in that the Uniform CPA Examination is recognized by all 50 states, the District of Columbia and three territories as the examination which properly measures a person's accounting abilities. This program also develops proper experience level requirements for entry into the profession.
- o Reciprocity and Temporary Practice - This program reviews existing statutes and regulations on accounting in the various states and the development of model statutes and regulations which promote licensure reciprocity among the states while providing adequate public protection.
- o Relicensing and Reentry - This program develops standards for evaluation of competence of an individual with an inactive license to upgrade to an active license or to relicense an individual whose license has lapsed for some reason.

*1st 3 items have  
small budgetary  
- from*

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Division of Legislative Audit  
November 29, 1979  
Page 6

- o Practice Surveillance and Enforcement - This program assists state boards of accountancy in developing and establishing procedures to monitor activities of licensees on an ongoing basis and develop criteria for sanctions and penalties.

Participation by members of the Alaska State Board of Accountancy insures knowledge of what other states are doing, which impact Alaska. Two of Alaska's board members have been named to serve on NASBA committees.

Entry Level Licensing - C. Stewart  
Practice Surveillance and Enforcement - V. Johnson

These Board members were not able to participate in committee activities because no monies were available for travel. Estimated additional costs - \$4,800.

The estimated additional costs of the foregoing items is \$11,000. The financial data contained on page 20 of the Performance Review indicates that sufficient monies are collected by the State from Board activities to finance these necessary Board functions.

These activities are included in the Board's 1980-1981 budget request which was submitted to DOL in March 1979. Similar activities were included in the Board's 1979-1980 budget but were deleted prior to the submission of the State Budget to the Legislature. We request that appropriations for these activities be included in the 1980-1981 State Budget.

2. The State Board of Public Accountancy believes that it needs to establish a positive enforcement program to monitor the activities of licensed accountants. At present, the only monitoring of a licensed individual's activity occurs when a complaint is filed against the licensee. The State Board of Accountancy believes that it should, on a sampling basis, review the work of licensed persons for substandard practices. A review of this type increases the chances of detecting unacceptable activities prior to the time they become so serious that a complaint is filed against the licensee.

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Division of Legislative Audit  
November 29, 1979  
Page 7

The detection of substandard practices would:

- o Increase public protection by identifying marginal licensees before someone suffers injury; and
- o Provide the licensed individual an opportunity to take corrective measures prescribed by the state board with minimum disruption to their occupation.

In the three states, Florida, Colorado and Arizona, where this type of positive enforcement program has been undertaken, 30 percent of the investigations revealed substantial substandard practices by licensed individuals.

Estimated additional costs - \$20,000

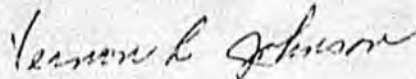
The Board's 1980-1981 Budget Request includes this new program.

\* \* \* \* \*

We wish to acknowledge the courtesy and proficiency with which the Performance Review of the Alaska State Board Public Accountancy has been conducted. Should you desire additional comment or desire to discuss the Board's response to this review, please contact the Board.

Very truly yours,

ALASKA STATE BOARD OF  
PUBLIC ACCOUNTANCY



Vernon R. Johnson  
Presiding Officer

VRJ:hkk

cc: Members of Alaska State Board of Public Accountancy  
Commissioner, Department of Commerce and Economic Development  
Deputy Commissioner, Department of Commerce and Economic Development  
Division of Occupational Licensing  
State Internal Auditor

**DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT**

OFFICE OF THE COMMISSIONER

POUCH D  
JUNEAU, ALASKA 99811

November 19, 1979

**RECEIVED**

DEC 5 1979

**LEGISLATIVE  
AUDIT**

Gerald Wilkerson, CPA  
Division of Legislative Audit  
Pouch W  
Juneau, Alaska 99811

Dear Mr. Wilkerson:

The following comments are offered in response to the Performance Review of the Board of Public Accountancy, as submitted by the Division of Legislative Audit.

Recommendation No. 1: We would have no objection to your recommendation but would suggest that consideration be given to comprising the board of three certified public accountants and two public members.

Recommendation No. 2: Agree.

Recommendation No. 3: We agree that such amendments would reduce unnecessary regulation while still serving the public interest and maintaining professional integrity.

Recommendation No. 4: Agreed. The board has discussed this matter and is complying with the recommendation.

Recommendation No. 5: Agreed. The board did submit goals and objectives for the FY '81 budget, and its performance report for FY '79.

Recommendation No. 6: Agreed.

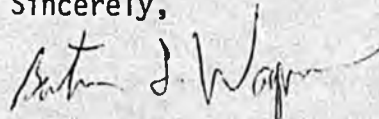
Recommendation No. 7: Agreed. The Division is in the process of collecting data concerning the number of licensees, examination statistics, complaint information, correspondence work load and number of requests. Monthly reports are prepared by the examiners in addition to interim activity reports which detail activity between scheduled board meetings.

November 19, 1979

Recommendation No. 8: Agreed. Complaints received against all regulated professions should be handled on a timely basis.

I appreciate the time and efforts expended on this review and the opportunity to provide these comments.

Sincerely,



Bertram L. Wagnon  
Deputy Commissioner

CRW/kkk5/9



Official Business

# Alaska State Legislature

## Senate

### Committee on Commerce

Pouch V  
State Capitol  
Juneau, Alaska 99811

March 13, 1980

The Honorable Clem Tillion  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Mr. President:

Your Senate Commerce Committee has had under consideration for "Sunset" review the Board of Public Accountancy pursuant to your referral under AS 44.66.050 and AS 08.03.010.

In accordance with the statutory requirements, a public hearing was held on the review of this board, at which written and oral testimony was received. Members of the board testified in person or by teleconference. The Committee considered the proposed budget of the board for FY 1981 and particularly examined the performance audit of the activities of the board conducted by R. W. Pavitt and Associates, Inc. and Homan-McDowell Associates under contract to the Division of Legislative Audit.

Guided, in part, by this performance review the Committee took into consideration the factors required to be considered under AS 44.66.050(c).

Your Commerce Committee thereby makes the following findings: The Committee concurs in the eight findings and recommendations as they appear on pages 7 through 15 of the Performance Review of the Board of Public Accountancy dated October 1, 1979 which is hereby incorporated by reference as though fully set out herein.

The Committee further recommends that the board use its powers in the granting of licenses, in acceptance of experience in the public and private sectors, and in cases involving reciprocity in a more judicious and evenhanded manner.

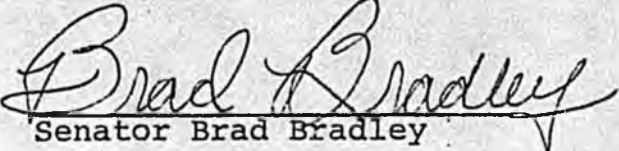
The Committee feels that it has adequately addressed the recommendations and categories required under AS 44.66.050(d), and recommends that with the changes stated in this report

The Honorable Clem Tillion  
March 13, 1980  
Page 2

the Board of Public Accountancy be continued for another four years, that is, that the repealer with regard to the activities of the board be amended to read June 30, 1984.

A bill will be introduced by the Commerce Committee facilitating the changes and recommendations in this report.

Respectfully submitted,

  
Senator Brad Bradley  
Chairman  
Senate Commerce Committee

BB/bm

February 28, 1980

Senator Brad Bradley, Chairman  
Senate Commerce Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Senator Bradley:

I attended the teleconference hearing in Anchorage on Tuesday, February 26, 1980 concerning the sunset review of the State Board of Accountancy. Unfortunately, due to other commitments I was unable to stay for that portion of the hearing. Consequently, I am submitting my testimony in written form.

I have read the performance review of the State Board of Accountancy and concur with all of its recommendations. With the enactment of the Foreign Corrupt Practices Act and the increasing surveillance of the accounting profession by Congress and the Securities and Exchange Commission, the State must do its part to protect the public interest and insure the competence of those individuals who desire to offer their services to the public as accountants. It is therefore extremely important to continue the State Board of Accountancy, implement the eight recommendations contained in the report and fund the activities of the Board at a level at which they can operate effectively.

I am a Certified Public Accountant, but am not in public practice. I am responsible for issuing financial statements and constantly refer to the financial statements of other companies in my work. It is extremely important for these statements to be consistent and reliable so that investors, creditors and other users like me can make proper decisions based on them. The only way to accomplish this in Alaska is to insure a strong State Board of Accountancy.

Very truly yours,

  
Edward R. Geiger

cc: Senator Arliss Sturgulewski  
Senator Tim Kelly  
Senator Frank Ferguson  
Senator Terry Stimson  
Mr. Vern Johnson, Chairman, State Board of Public Accountancy

REPORT FROM STATE BOARD OF ACCOUNTANCY FOR FY '79

The problem that has been before the Board of Public Accountancy for several years is work experience before the CPA certification is issued. It is our responsibility in protecting the public to see that the persons who hold themselves out to be CPAs have had some experience in performing the audit (attest) function. This continues to be the only difference between accountants that are licensed and the non-licensed accountant or bookkeeper.

Our goal was accomplished with the adopting of final regulations in December 1978 that refined and clarified the type of experience necessary before the CPA certificate would be issued. Formal hearings were held in Juneau and an informal hearing held in Anchorage regarding the proposed changes in regulations. After they were cleared by the Department of Law on May 25, 1979, a certified mailing was done to all holders of CPA certificates issued by the State of Alaska to comply with Section 08.04.080 of the Accountancy Act.

We continued our efforts to help the unsuccessful CPA candidate by participating in the CPA critique program offered by the National State Board of Accountancy. The program has been held in Anchorage and a total of 36 CPA candidates have participated. We will expand and offer the program in both Anchorage and Fairbanks in the fall of 1979.

The number of candidates for the CPA examination continues to climb and a suitable place to hold the examination became a problem in Anchorage. A new location was secured for the November exam and used for the May exam. There was a noise problem at the May exam and we may be looking for other accommodations in November. Fairbanks and Juneau are also having an increase in candidates and will be suffering from inadequate facilities in FY '80.

The Board continues to be short of the required number of members. This presents a problem in securing a quorum for at least the summer meeting. We would urge the Governor to appoint the other public members as soon as possible.

The Board is scheduled for Sunset review in FY '80 and Pete Hogan, a Board member from Southeast, is working on a history of Board Activities since its creation. This should be ready for review and approval at our summer Board meeting.

Vern Johnson and Roxana Klemp are the legislative committee for the Board. They worked with the Department of Commerce and Economic Development and the Governor's Office in introducing legislation in the spring of 1979 regarding changes in the current Accountancy Act.

Charlotte Stuart worked with the AICPA Advisory Grading Service for six weeks in 1978 while the grading of the May 1978 CPA examination was taking place. As the result of this experience, the Board had a report regarding the grading process and reaffirms the opinion that the CPA examination is fair and equitable. A study done on Alaska first-time candidates for the years 1973, 1974, 1975 showed that over 80% pass the examination within three years if they continue to take and retake it.

Many changes are taking place in the accounting profession and the Board continues to request funds for beginning a practice review program. At the present time, the Board does not have a method of monitoring a person's performance once they have received a CPA certificate and a permit to practice. We react to complaints rather than being able to take the initiative to see that the public is not harmed in the first place. This will be our main goal for the FY '80 year.

The Board has not had adequate funding for travel to Regional or Annual meetings of the National Association of State Boards of Accountancy. Two board members were asked to serve on National Committees. After a half promise that funding would be available from the State, Charlotte Stuart accepted a committee appointment to entry-level licensing and Vern Johnson was appointed to the practice review committee. Charlotte attended her committee meeting in Dallas and gave the committee report at the regional meeting in Hawaii. Both of these meetings were at her own expense since travel funds were not provided by the State.

Vern Johnson and Charlotte Stuart also attended the annual meeting of NASBA held in the fall of 1978 at their own expense. The State did provide travel for one member to attend the meeting and the Board voted to send our public member, Margaret Baker, so that she might gain some additional insight into the problems being confronted by all State Boards.

A problem that is facing all State Boards of Accountancies is recognition of foreign certificates. As the result of a lawsuit against one State Board, a joint committee was appointed by NASBA and the AICPA to do a review and evaluation of foreign examinations used as a basis for certification in various countries. The committee held public hearings in California in August of 1978. After the hearings, the following items were formulated:

1. The type of information required to assess the comparability of foreign licensing examination (i.e., preparation, security of examination, grading process).
2. Methodology for review.
3. Countries to be included were: Australia, Canada, England and Wales, India, Ireland, New Zealand, the Philippines, Scotland, and South Africa.
4. The time period to be covered would be from 1960 through 1977.

A report given at the Regional meeting on this committee confirms the opinion of the Alaska Board that it is impossible to measure the comparability of the foreign examinations as they relate to the Uniform CPA examination. Therefore, our Board continues to require all applicants for the CPA certificate to pass the entire Uniform CPA examination, since we have not been able to determine that the foreign examinations are equivalent to ours.

The Board held four meetings in FY '79. A one-day meeting in Fairbanks, one two-day meeting in Juneau and two two-day meetings in Anchorage. The Board continues to review each new candidate's application for the CPA examination and as the number of applicants increases, so does the workload of the Board.

The following is a statistical report on candidate applications:

New candidates approved for the CPA examinations:

November 1978 - 46

May 1979 - 51

Actual candidates scheduled for examinations:

November 1978 - 134

May 1979 - 152

No shows for the examinations:

November 1978 - 14

May 1979 - 18

Certificates issued by reciprocity: 33

Original Certificates issued: 46

Complaints filed with violations officer and brought  
to the Board: 4

The Board had a change of licensing officers again this year and this continues to be a problem. With the increase in salary grade level given the licensing officers, it is hoped the turnover will decrease.

Prepared by Charlotte H. Stuart, Chairman

REAL  
ESTATE  
Comm.

**Alaska Statutes and  
Regulations**

**Relating to**

**REAL ESTATE BROKERS  
AND SALESMEN**

Issued by

**DIVISION OF OCCUPATIONAL LICENSING  
DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT**

**Reprinted from the Alaska Statutes and  
the 1976 Cumulative Supplement**

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**1977**

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alaska coastal  
real estate

195 south franklin street Juneau, alaska 99801 (907) 586-1212

Christian,

I have enclosed the summary you requested. It is not final typed but I assume it for your use and not publication.

I also enclosed a copy of the explanations for the original SB212 prepared by Jim Magown our executive secretary. You may already have a copy of this document and it can be used to ~~for~~ explain some of the incorporated paragraphs and sections.

Also enclosed is a copy of his explanation of our budget request. I know that you are not involved with this aspect but should someone ask, it may be of assistance.

EXPLANATORY COMMENTS REGARDING CSSB 212

March 28, 1980

Prepared by James L. Magowan

Executive Secretary Alaska Real Estate Commission

Overview Comments: This bill: (1) clears up or clarifies much of the language of the present statutes making them clearer and more understandable; (2) eliminates ambiguities and/or contradictions in the current statutes that arose as certain sections were amended or repealed without appropriate changes being made in related sections or which arose through related changes in other chapters or titles being made without appropriate changes in the real estate licensing statutes; (3) sets forth new procedures for examination and issuance of licenses which eliminate duplication of effort and cost in these processes and should improve the service to the applicant; (4) eliminates the present anomaly in the statute that permits a licensee to operate even when claims against the licensee have been paid from the surety fund and the public no longer has the full protection of the surety fund; (5) eliminates the technical requirement that resident property managers be licensed - this requirement is currently very difficult to enforce and is probably not in the public interest; (6) clarifies and broadens within the intent of the statute the regulation making authority of the Commission; (7) replaces an outmoded section for license reciprocity with other states with an effective means of licensure by endorsement.

In the following commentary, I will at times refer to the above numbers with respect to specific sections in CSSB 212.

Section 1. AS 8.88.041(b). This is a clean-up section related to items (1) and (2) above and brings the statute in line with changes which occurred when public members were added to the board.

Section 2. AS 8.88.071(a). The law currently is silent with regard to how a broker's affairs should be wound up when the broker/proprietor of a real estate business dies. This section remedies that particular problem. It should be noted that this is a problem that the Real Estate Commission has faced on a number of occasions in the past.

Section 3. AS 8.88.081. This section is explained by Item 6 above. It should be noted that because of the ambiguity of the current section, the Real Estate Commission has received differing interpretations of its authority from successive Assistant Attorney Generals who are assigned to assist the Commission in the regulation writing process.

Section 4. AS 8.88.091. Education. Most violations and problems encountered by the public are due to ignorance and lack of training rather than willful intent to injure or defraud the public. Educated licensees is the obvious answer to this problem. The current statute is such that, as a part of its educational activities, the Real Estate Commission is barred from publicizing even an informational newsletter to licensees on a periodic basis in order to keep them abreast of the real estate license law, changes that occur in the law and information on common violations encountered by the Commission where those violations may be a result of ignorance. This section slightly broadens the Commission's permitted educational activities and will enable the Commission to better inform licensees of their obligations and responsibilities to the public and to the Commission itself.

Section 5. AS 8.88.171. This section relates to Items (1), (2), (3) and (4) as set forth above. This is basically a housekeeping measure. It does eliminate the 90-day residency requirement for licensure which has apparently served no useful purpose and by reference and cross-reference eliminates some of the situations described in the numbered items above including a licensee being able to remain licensed and renew a license even though claims have been paid out of the surety fund and have not been repaid. Amendments to Section 171 and Section 211 and cross-references between those sections also permits procedural changes in the handling and processing of license applications and examinations for licensure which should cut down duplication of our effort, cost to the Division of Occupational Licensing or the State and which should also facilitate issuance of license to the licensee.

Section 8. AS 8.88.181(a). The amendment to this section is technical and clarifying in nature. The proposed changes broaden and allow for better coverage of real estate topics on the real estate examination.

Section 9. AS 8.88.191. Administration of Examination. This section deals with the physical administration of the examination and provides for examination applications to be handled directly by the testing service. This eliminates the redundant step which we currently must follow whereby applicants apply to the Division of Occupational Licensing which in turn forwards the applications to Educational Testing Service and receipts the application and funds received. The receipting of applications and the forwarding of applications to ETS involves a considerable amount of paperwork on the part of the license examiner. The paperwork is basically nonproductive work and eliminating it will be a net savings to the State. This section also clarifies the examinees' rights if they feel that their examination has been improperly graded. There have been occasions when examinees have requested that they be permitted to review the actual examination after they have failed it. Since

Alaska uses a national examination which is copyrighted and portions of it are used throughout the nation, it is extremely unlikely that the examination itself will be faulty, and if there is a fault with the examination this can be determined by the Commission reviewing the examination. For security purposes, therefore, it is deemed inappropriate for applicants to examine their actual examinations. In a remote possibility that an examination is improperly scored by the ETS computers, on request, any applicant may have an examination hand scored. This has been the practice in the past, and, to date, there have been no examination results which have been changed as a result of hand scoring. The computers in this situation are remarkably reliable. It should be noted that changing the application procedure from applications going to the license examiner to having applications going directly to Educational Testing Service will mean that the full \$50.00 application fee will not be collected from those who fail the examination. Only those who pass the examination will submit applications for complete examination of their qualifications to the license examiner and will be required to pay the balance of the \$50.00 examination fee.

All applicants who apply for the examination will send Educational Testing Service the fee for the written test. This fee is currently \$12.50 and will probably go to \$13.00 or \$14.00 in the near future.

It is felt that the loss of revenue by not collecting the full \$50.00 from applicants who fail is more than offset by the decreased workload on the license examiner in handling those applications. It is not felt that additional fees are justified if this process can be handled at no cost to the State and at less cost to the applicant.

The Commission could not justify handling applications simply for the purpose of collecting additional application fees.

Section 10. AS 08.88.211. This section has already been referenced.

This is a change in application procedures and processing whereby the Commission treats examination for licensure as having two parts; a written test which must be passed before an applicant's total qualifications are examined and the examination or review of the applicant's total qualifications are the two portions of licensure examination. Splitting the qualifications in this manner makes it possible for applicants to apply directly to Educational Testing Service for the written portion of the examination and eliminates the question of additional fees from applicants who failed the examination.

The statute, as currently written, talks about qualifications for examination and actually imposes qualifications on an applicant who wishes to take the written examination. The Real Estate Commission

feels that this is not necessary and that those who are otherwise eligible should take the written examination and then have their qualifications for licensure examined.

There have been some rewording changes in section 211 in order to clarify the types of offenses which would warrant denying an applicant a real estate license for previous convictions; and the wording of the statute has been or is being brought to conformity with the specific wordings used in the revised Alaska Criminal Code. This section and previously referenced sections, therefore, have the effect of permitting applicants to apply directly to ETS, take and pass the examination, then apply to the Real Estate Commission for examination for licensure rather than following the current procedure of applying to Occupational Licensing for the written examination and then applying for licensure, thereby duplicating effort.

Section 11. AS 08.88.221(c). This section adds a fee for transferring a license. License transfers are a heavy workload on the Occupational Licensing staff and it is appropriate that licensees pay for the service. This section also raises the fee from \$2.00 to \$5.00. This is more in line with the actual cost of handling this type of transaction.

Section 12. AS 08.88.221. This section is related to section 211 and, basically provides that when persons pay the examination fee directly to ETS, they shall be credited with the fee paid to ETS when they apply for licensure. Currently they pay their application fee to the State and the State is billed by ETS. This aspect of the bill will have no fiscal impact on the State other than to cut down the personnel required to handle applications. Instead of the fee coming to the State and then going to ETS, it goes directly to ETS, thereby improving the efficiency of the process.

Section 13. AS 08.88.241. Reinstatement of lapsed license. Licensees are required to keep the department informed of their employment and their address or location. When licensees fail to do this, at the end of the license year their licenses lapse. In essence, a lapsed license is the result of a licensee not conforming with the statutes. The way the law is currently written, it could be enforced in such a way that a lapsed licensee gains an economic advantage over a licensee who complies with the statute because the lapsed licensee does not pay inactive license fees; and lapsed licenses are currently treated the same as inactive licenses for purposes of renewal.

In order to eliminate this inequity, this section provides that a licensee whose license lapses for more than six months (a reasonable time for a person who inadvertently overlooks a renewal period) to lose the license until they again complete the examination requirements for licensure.

It should also be noted that a person who fails to comply with the law is probably a suitable subject for reexamination, since they obviously don't understand the law which regulates their business activities.

Section 14. AS 08.88.251(b). The changes in this section are simply for clarification. The section is self-explanatory.

Section 15. AS 08.88.251(c). The procedure described in the previous sub (c) of this section were cumbersome and ineffective and, basically, not followed by the division; this section simply spells out procedures which have already been developed and found to be more effective by the Division of Occupational Licensing.

Section 16. AS 08.88.263. License by Endorsement. Reciprocity is no longer practical due to varying license requirements, particularly educational requirements in different states. Alaska has no education requirement. Endorsement is the simplest way of assuring that licensees coming from other states will be licensed in Alaska with a minimum of hindrance, but at the same time providing for full protection of the public as well as other licensees in the state. Since state laws vary from state to state, it is felt appropriate that anyone practicing real estate in Alaska should be familiar with Alaska Real Estate Licensing Law. License by endorsement provides that anyone holding a license outside of the State who moves to Alaska can obtain an Alaska real estate license by simply demonstrating a knowledge of the Alaska Real Estate License Law. We recognize the fact that all states examine persons for real estate licenses and general real estate knowledge is transferrable from state to state.

Also Bill Section 16. AS 08.88.276. Suspension of License. This section provides for the suspension of a license whenever a claim is paid out of the surety fund against a licensee and is in effect until the licensee repays the fund. This is not a disciplinary action, and should not require the costly time consuming procedures of a hearing. It is simply recognition of the fact that as long as a claim has not been repaid to the fund, the public does not have the full protection of the surety fund which they are entitled to have. If the Commission fails to take disciplinary action and the licensee repays the fund they can immediately be issued a license under this section. There is no violation of the licensee's right to due process under this section. The licensee can defend themselves against payment from the surety fund in court and payments from the surety fund are ordered only after judgement. Therefore the licensee's rights are protected by the full judicial system. The licensee can be relicensed provided that no disciplinary action has occurred subsequent to the suspension for payment of the surety fund and the surety fund is repaid (the public then has full surety fund protection).

Section 17. AS 08.88.361. When commission is earned. Modern real estate practice involves more than a listing and selling of real property. The current statute could jeopardize a broker's right to collect a fee or commission for a service which does not involve a listing but does involve a written contract between the broker and the client. This revision of the wording simply makes the broker's right to compensation enforceable on written agreements other than listing agreements when listing agreement is not the appropriate instrument to be used.

Section 18. AS 08.88.421(1). This section of the bill provides for exception to the requirement to be licensed. There has been a great deal of confusion on the part of licensees who read the statute as it is currently written and believe that they are not required to have transactions on their own account processed through their employing broker. This is not correct even under the current statute because there is a more specific section in the statute which states that all transactions by a licensee must go through the broker even if they are for the licensee's own account. In addition, the wording about land defined in AS 34.55.046 which is not in Alaska clarifies the licensee's absolute responsibility to process transactions through his broker and eliminates confusion by persons reading the statute. The addition of the final words, "which is not in Alaska;" was necessitated by a legislative change in AS 34.55.044(6) which changed that section from defining only land located outside the State of Alaska to defining all subdivided land in the State of Alaska. When that statute was changed 421(1), by reference to that section, technically prohibited an Alaska subdivider of Alaska land from selling his own property without the services of a broker. This is clearly in violation of his constitutional rights. This wording clarifies that.

Section 19. AS 08.88.421(9). This section has been a source of great confusion. The basic intent of the section as spelled out in an Attorney General's opinion and enforced by the Commission over the years has been that no person may, as a regular vocation, sell real estate for another person whether on a salary or for compensation. The reason for this ruling by the Commission is that when a person purchases real estate from someone other than the owner of the real estate, they are entitled to have the full protection of competency and the surety fund provided by licensing. Additionally, no person may transact even one real estate transaction for a fee dependent upon the value or proportional to the value of the property sold even if the transaction is an isolated or single incident, because selling real estate for a fee even one time would require a license. The general exception applies to persons who are employed by corporations or partnerships for purposes other than the selling of real estate, but who in the course of their day to day activities might be called upon to dispose of excess property or property interests held by the corporation. The traditional example used by

the commission would be if a food chain were to determine that it had one store too many it might ask the manager of that store to handle the sale and disposition of the store. During the time of the sale, he would also be responsible for any other management activities, and would not be paid for disposing of excess or surplus company property in the course of his normal duties as manager of a store.

A confusing phrase in the statute has been the statement that a person may not perform these acts as a vocation or for compensation. Most people think that those two qualifications go together. The Commission has inserted the word "either" so that it reads..." either as a vocation or for compensation if the compensation is dependent upon and directly related to the value of the real estate." Performing real estate transaction as a vocation requires a license, performing real estate transactions for a commission requires a license. Again, it should be noted that the changes do not necessarily affect the statute itself or the way in which the statute has been or will be enforced but simply makes it clearer to those involved.

The other changes in this section are simply for clarification of meaning.

Section 20. AS 08.88.421. This is a new section. This section has already been referenced in the numbered items at the beginning of this document; specifically, item 5, eliminating the technical requirement for property managers to be licensed.

Section 21. AS 45.85.010. Real Estate Surety Fund. The surety fund as it is currently established by the statute is virtually impossible to manage in a manner which is equitable and acceptable to the licensees, the Commission, and the department. The statute provides that the fund shall build until it reaches \$250,000. This has happened. The statute further provides that the fund may not go over \$300,000. In the event that the fund is over \$300,000 at the end of any fiscal year, the excess reverts to the General Fund. When the fund goes over \$250,000 the Commissioner may, by regulation, adjust the surety fees to maintain the fund between \$250,000 and \$300,000. The cash flow to and from the fund is such that the \$50,000 margin between \$250,000 and \$300,000 does not permit sufficient leeway for the Commissioner to adopt regulations in a timely fashion so that money is not lost to the General Fund, that appropriations may be made for educational purposes, and that claims can be determined prior to lowering fees. For example, in November of 1979, the fund paid out approximately \$40,000. If the fund were at \$250,000 at the beginning of November 1979, and the Commissioner were to then adopt regulations for the license year 1980 through 1981 reducing the fees because it was anticipated that the fund would continue to build, by the time we started collecting the new

fees the fund would have already dropped to \$210,000. If, in addition to reducing the fees, an educational appropriation were made, such as was the case last year for \$75,000, the fund would actually be down to \$135,000 prior to the new license year. In addition to that, one or two more months like November of 1979 could totally deplete the fund, while, at the same time, the Commissioner was lowering fees and the Real Estate Commission was planning on using appropriation for educational programs.

Now that the fund has been in effect for four years, the use of the fund has dramatically increased and, at the same time, the predictability of the fund over a six month period has dramatically decreased. The Commission feels that it is necessary to broaden the margin between the mandatory minimum and the mandatory maximum limits of the fund so that appropriations and judgements can be made which will not result in the fund being depleted and the public going for some period of time without adequate protection under the fund.

It should be noted that a complicating factor in adjusting the fees is the fact that licenses are renewed every two years on the first of January. If adjustments are not made by the first of January of the license year, it would be manifestly inequitable to make an adjustment at mid-year. Therefore, it has been determined that adjustments will be made at the beginning of license years. Fiscal years, on the other hand, occur every twelve months at mid-calendar year and it is impossible to correlate surety fund adjustments with fiscal years in order to avoid having surety fund money revert to the General Fund. The licensees are understandably upset about such practice since they would view this as an additional and unjustified taxation of the licensees; a taxation which is discriminatory.

The Real Estate Commission is particularly concerned that the Real Estate Surety Fund be well managed since this is an item which can be controversial with respect to the licensees. Licensees are, in effect, self-insuring themselves against malpractitioners and, as such, are very sensitive about the use of the funds, and any excess funds being taken into the State General Treasury.

A new section has been added to AS 08.88.431 and, basically, this is a sub(5) defining resident manager as a person who resides on real property and manages for the benefit of another person. This definition is necessary to clarify the meaning of the change in Section 421 which exempts resident property managers from the licensing requirement. Without this definition it might be difficult to enforce any kind of regulation over property managers. This would manifestly endanger the public as can be seen by the fact that one of the largest frauds the Commission has encountered in recent years did involve a huge amount of money handled in

property management accounts. The Commission charged with protecting the public, and the realtors are charged with improving the industry. Both have reached a high degree of agreement on these changes to the statute and this is an indication of the need for the adoption of these changes. When the regulators and the regulatees are both acting conscientiously on behalf of their respective constituencies and are in agreement, it is highly likely that the changes they request are to the benefit of all concerned, including the public.

James L. Magowan

May 2, 1980

EXPLANATION OF THE PROPOSED BUDGET TO SUPPORT THE ALASKA REAL ESTATE  
COMMISSION CREATED UNDER HOUSE BILL ~~1004~~

SB 212

The proposed budget was developed through a simplified process of PPBS (Policy Program Budgeting System). The goals and objectives of the Real Estate Commission were identified. These represent the projected policies of the Commission. The functions and activities necessary to carry out those policies were determined as clearly as possible with current information. Commission policies cover enforcement. A policy for purposes of budgeting would include a goal stating how much enforcement is to be performed and the results expected. To carry out this policy through a program it is necessary to determine specific activities (program). For instance, complaints must be received cataloged, filed and tracked within the system. When it appears there may have been a violation, the violation must be investigated. The investigation must be scheduled and developed. The results must be prepared for prosecution through the Attorney General's Office. The Attorney General's Office must process the results of the Real Estate Commission investigations through its system. That system is beyond the direct control of the Real Estate Commission and therefore does not enter into the system except that the budget includes a specific allocation for a half-time attorney, which will assure a minimum level of A.G. support.

The specific activities of investigators, clerks, typists and other personnel in terms of processing the investigation and its results constitute the program which is instituted to achieve the policy goal.

Once the program has been determined the budget is axiomatic. A budget change changes the program which in turn changes the policies or goals.

It is estimated that a single investigation requires 20 to 30 hours of clerk-typist support if it is carried through the complete hearing and revocation, suspension or exoneration process.

If we accept a figure of two hearings per month as a reasonable policy goal at this stage of the Commission's development (two hearings per month is not enough to keep up with all valid complaints that could result in successful prosecutions but is a reasonable goal in view of the fact that the past year and a half has seen one hearing completed and one other hearing in process.) In this example, we then have an investigator who will be averaging two (2) completed investigations per month after the initial start up. That means one investigator will be producing between 40 & 60 hours per month of typing and clerical work for the support staff, on those two investigations alone. Additionally the investigator will also be responsible for the initial complaint handling, sending out letters, gathering initial responses, making reports of cases closed or not accepted for investigation and preparing periodic summary reports of all investigations, open, closed or in progress for the Commission. The investigator should be expected to utilize anywhere from 75 to 100% of one clerk-typist's time per month, if the investigator is to operate at an adequate level.

The investigator with clerical support will be responsible for keeping track of and keeping current records of the 150 to 200 complaints that

are anticipated over the next year, plus all cases currently on file and not completed. To do this with the number of personnel available requires adequate word processing equipment. The word processing equipment is part of the policy program budget system. Word processing equipment enables the investigator to achieve the operational goals set with the amount of time and clerical support available to him. A lack of adequate equipment can also effect basic policy goal achievement because it will delay the work of the investigator. Lack of proper equipment or management produces a syndrome which is usually manifest as a demand for more personnel.

The heart of PPB is that the budget is designed to achieve goals not simply to pay for positions or maintain a function which may or may not be in line with the goals. The budget is tied to the goals and the program is designed to achieve goals not to fit within the budget. Or to put it another way, the budgeting process is often backwards, programs are established or budget is established and then programs are developed out of the budget. In this system, the program is established and then the budget is derived from the program.

The fact that adequate personnel and equipment are required in order to achieve the policy goals set out and that all of these items are inter-related and that a change in one will effect the other components brings out the systems nature of this approach. This approach is a systems approach and is a means of budgeting systems to achieve goals.

In addition to enforcement the Real Estate Commission has a primary responsibility seeing to it that applicants are examined and licensed with a minimum of red tape or bureaucratic hassling and also that licenses

are issued in a prompt and expeditious manner. Real Estate licensees are a highly mobile population in terms of locus of employment. They frequently change employing brokers and brokers frequently move locations. It is essential to keep track of these movements because when complaints or inquiries come in about various licensees it is essential to know who is responsible for a given licensee. The issuing of licenses, the recording and tracking of changes and transfers, the processing of applicants for license, the review of applicants qualifications and so on are all what might be termed paper work intensive activities. Whenever an activity is what we will call paper work intensive it requires either a very high input of labor or it requires sophisticated paper work processing equipment to get the job done in a reasonable time. We have budgeted for word processing equipment, which will maximize the paper work handling capability of a relatively few personnel.

By using word processing equipment, for example, that has filing, indexing and retrieval capability the license examiner will not have to maintain duplicate hand typed files for every licensee and every licensee location. By, using this type of equipment, when a change such as when a licensee, changes from one broker to another broker and also changes their license status from salesman to associate broker, the changes for can be accomplished in one operation by the license examiner. Additionally, if it is needed to send out a new license, a new license can be prepared automatically from the one entry which the examiner made into the system. When it is necessary to track an individual licensees employment or employment history this can be retrived from the system, automatically, by a

single operation. None of these things are currently possible with either the record-keeping or the word processing equipment available to the Real Estate Commission. The claim that the equipment saves man-hours or personnel costs is always met with the question, "How many people then are being eliminated?" In this situation, what we are proposing is starting with the minimum number of people. The word processing equipment is expanding the capability of those on the payroll to meet both current work load and a large portion if not the total portion of anticipated increase in work load in the immediate future.

It should be noted, that currently the routine issuing of licenses and maintaining the files is so under-equipped that we still have Real Estate licensees who have not received their licenses, renewal for which was sent months ago. This situation could be corrected under the current system by the addition of one or two license examiners or the installation of adequate word processing equipment. We are proposing word processing equipment. It should be noted that currently word processing equipment while costly, is nowhere near as costly as personnel.

A large part of the Real Estate Commission's current goals rest in the area of education or more accurately information. The Commission wishes to keep the licensees informed and the responsibilities and obligations that licensees must live up to in order to adequately serve and protect the public. One means of doing this would be through a periodic newsletter direct mailed to all licensees. The cost of the newsletter itself and the mailing may be covered by the Real Estate Surety Fund Educational Program, however, the equipment necessary to produce the newsletter

and permit it to be written, edited and composed with an absolute minimum of clerk-typist and other personnel time being used requires adequate word processing equipment. One of the major benefits of word processing equipment is that it increases many-fold the output of the typist in terms of both quantity and quality.

The Real Estate Commission currently provides informational and informative articles to a number of publications including the Anchorage Realtor News Magazine, which goes to all members of the Anchorage Board of Realtors, Building Alaska magazine, which is distributed to many organizations including contractors and organizations involved in activities related to contracting and building industries in Alaska. Also local newspapers including the Fairbanks Daily News Minor, The Southeast Alaska Empire in Juneau and the Anchorage Daily News publish articles produced by the Commission. These articles are tailored to the various audiences at which the publications are directed. Daily News articles are aimed at increasing public awareness and ability to effectively work with Real Estate licensees and understand real estate transactions. Articles for Realtor News are designed specifically toward alerting the licensees to the requirements and obligations imposed by the Alaska Licensing Statute and advising licensees when areas of the Statutes appear to be subject to wide-spread mis-interpretation, hence violation. Articles written for Building Alaska magazine are aimed at both licensees and contractors with specific emphasis on the relationship between the licensee and the builder/contractor whom the licensee represents in a real estate transaction with emphasis on the obligation of both the contractor and the licensee to protect

the public. All articles and information released by, through or about the Real Estate Commission, particularly those that deal with licensee obligations and/or potential violations of the law by acts of licensees must be very carefully written, must be extensively edited and often re-written in order to avoid the possibility of giving erroneous advice or slipping into the area of giving legal advice rather than advice and interpretation of the license law itself. Word Processing equipment improves the capability of the Commission staff to write, develop, edit and correct information for publication with a minimum use of clerical time. Basically, what we are looking at here is cost effectiveness in preparing printed information.

Using the PPB approach, we have examined the type and amount of publication involved, we have budgeted for the raw materials and we have also, budgeted for adequate personnel assuming the presence of adequate equipment and adequate personnel. Past experience has indicated that the Executive Secretary of the Real Estate Commission produces a volume of written work including correspondence and public information as well as notification to licensees, communications to the Real Estate Commission, to the public, to professional organizations, such as the Board of Realtors and articles as mentioned previously, which is sufficient to occupy a clerk-typist for at least 3/4's of the time therefore, with just the Executive Director and the Real Estate Investigator the Real Estate Commission would require approximately 1-1/4 clerk-typist simply to keep up the current level activity of the Executive Director and to support a reasonable level of investigations.

In addition to the typing, already mentioned there is further typing and

routine correspondence which currently is handled out of Juneau and is processed by either the License Examiner or clerk-typist in the Juneau office of the Division of Occupational Licensing which support the License Examiner on a when needed basis. Under 1004, the Real Estate Commission would not have access to these additional personnel even on an occasional basis, therefore the clerk-typist requested would also be utilized in some instances, to support the License Examiner with some of the non-technical aspects of his job, including the preparation of routine forms, documents and requests for information which must be sent out on a regular and continued basis.

#### Telephone

Both the Anchorage Field Office of Occupational Licensing and the Juneau office specifically the Real Estate License Examiner's desk currently receive a high volume of telephone calls. The Anchorage Field office receptionist spends approximately 1/2 to 3/4's of her time answering the telephone and receiving calls for the Real Estate Commission, specifically for the Executive Secretary. It is anticipated that the telephone call load, so to speak, will continue to increase because the number of licensees and the assistance required by licensees has increased constantly over the past 4 to 5 years. A clerk-typist, who is responsible for answering telephones produces relatively little typing because of the constant erratic and unpredictable interruptions of the telephone. The propose budget includes one clerk-typist for telephones who can supplement the typing support provided by the second clerk-typist.

Under House Bill 1004, the Real Estate Commission will be responsible for hearing claims for payment from the Real Estate Surety Fund and making

determinations and awards from the Surety Fund to aggrieved members of the public. This will involve notices, communications, summarizing complaints and preparing documents for the Real Estate Commission which up until this time neither the Real Estate Commission nor Occupational Licensing has had the responsibility for and therefore the work load for this activity must be estimated. Our estimates are if anything, conservative. It is anticipated that this would add at least another 1/4 to 1/2 person typing load. This is the weakest point in the budget because it could prove to be considerably more work anticipated due to it being a new activity of the Commission.

#### Travel

The Commission travel budget of \$20,000 includes Commission meetings, Surety Fund hearings, investigations and attendance by the Executive Director at National Association of Real Estate License Law Officials conferences. The nature of the Commission's functions make the travel budget virtually self-explanatory.

The two clerical positions on the word processing equipment will be used to support one Executive Director, one investigator both of whom shall be considered the executive level positions as far as the type and volume of work they produce. Also one Licensing Examiner whose position should be considered a semi-executive level position in that the Licensing Examiner does require some clerical level support for some of the routine filing and entry that has to be performed particularly the Licensing Examiner is heavily involved in the technical examination of applicants

qualifications.

In addition a point overlooked with respect to a body such as the Real Estate Commission is that when you have seven (7) active volunteers as we should consider the Real Estate Commission, the clerical staff is in effect supporting these volunteers also. The seven members of the commission do generate work for the clerical staff. While individually they may not generate as much direct paperwork as say the Executive Director or the Investigator, they generate a considerable amount of work in view of the fact that they are active and this must also be supported by the same clerical staff as supports the Executive position of the Commission. What we have designed here is a set of policies, carried out by a program-budget which will achieve the goals of the Real Estate Commission and the legislature as expressed during the Sunset Hearings on Real Estate Commission and as implied in the letters from the House Commerce Committee and the Senate Commerce committee to the respect to House and Senate.

Those goals generally stated are:

1. Effective prosecution of those willfully injuring the public.
2. Effective education of those who wish to provide service to the public.
3. Eliminate delays and confusion in the licensing of and tracking of Real Estate licensees.
4. Improve public awareness of the complexity of Real Estate transactions and the role of licensees so they may better utilize the services of licensees.

5. Better inform the public about the Real Estate Commission so that they know how and where to turn when they have a problem with a license.
6. Provide day to day answers to licensees who need them to voluntarily comply with the law and protect the public.

May 22, 1980

Christian,

Per your request I have outlined the sections of SB 212 with a brief explanation as follows:

- Sec. 1 - 031: Changes the title of the Executive Secretary to Executive Director and gives the Commission the power to appoint and direct this position rather than the Commissioner of Commerce.
- Sec. 2 - 034: Provides for the appointment by the Executive Director of a full-time investigator or auditor.
- 037: This section gives the Commission it's own powers for investigations and injunctions. In essence it is transferring the powers now held by the Commissioner of Commerce for investigations and cease and desist to the Commission and states the authority the Executive Director has WITH a majority of the Commission's approval.
- Sec. 3 - 041(b): This change, which is part of the original SB212 passed by the Senate, simply prevents the appointment of a Commission that might have most of the Broker members from only one district. It assures that, if available, each district will have a Broker member.
- Sec. 4 - 061: Deletes the approval of the Commissioner of Commerce from the Commission's authority to employ assistants.
- Sec. 5 - 071(a): This was a portion of the original SB 212. The death of a sole-proprietor broker creates problems since the license is suspended upon death. It merely gives the Commission the power to appoint someone to handle the affairs of the office for the purpose of winding up the estate. The House Commerce Committee added the wording about having the Commission's appointee approved by a representative of the estate.
- Sec. 6 - 071(b): This is simply a rewording of the current statute to clarify and reference appropriate statutes in SB212 if adopted.
- Sec. 7 - 081: This section clarifies the intent of the statute and the regulation making authority of the Commission.
- Sec. 8 - 091: Under the current statute the Commission is barred from publishing such items as a news letter to the licensees. This change would allow the Commission to better inform the licensees of the obligations and responsibilities.

Sec. 9 - 101: Changes the authority of the administrative duties from the Department of Commerce to the Commission.

Sec. 10 - 111: Changes Department to Commission.

Sec. 11 - 121: Changes Department to Commission.

Sec. 12 - 171(a): Under the Commission's current and future operating procedures Educational Testing Service (or any other testing service) provides the examinations and handles all of the testing centers and applications. The Commission will simply examine for licensing which will include the applicant presenting a certificate stating that he has passed the examination required for the license. Previously 08.88.211 was the section which stated who could be examined. In SB212 before you we have deleted 211 and placed those items which were appropriate under 171(a).

House Commerce Committee did change the length of time after conviction for a felony, etc. that one must wait before being licensed.

Simply put, anyone can apply to ETS and take the examination. To get licensed they must pass the qualifications of 171(a) by making application to the Commission and one of these qualifications is that they have passed the appropriate examination.

Sec. 13 - 171(b): Same as 171(a) except it applies to Associate Brokers.

Sec. 14 - 171 (c): Same as 171(a) except it applies to Salesmen.

Sec. 15 - 171(d): Changes Department to Commission.

Sec. 16 - 181(a): Due to ETS and other national testing procedures there are two sections for the exams, general and state. The Commission does not control the questions in the general section and therefore the change in this sections states the exam questions "may include" rather than "must include."

Sec. 18-221(c): Merely raises the fee for transferring or amending licenses from \$2 to \$5.

Sec. 17 - 191: These changes are to conform with the current procedures for having the exams contracted out to a national testing service. Such items as having one-half of the examination fee returned ~~if~~ the applicant did not show up for the test are impractical under the new system.

Sec. 20 - 231: Changes Department to Commission.

Sec. 21 - 241: Changes the period a lapsed licensee may go before having to be re-examined from three to two years. In this instance it refers to someone who has not renewed his license.

Sec. 22 - 251(a): Changes Department to Commission.

Sec. 23 - 251(b): Changes are simply for clarity.

Sec. 24 - 251(c): Changes Department to Commission and corrects to current procedures. As an example, we no longer issue an inactive license certificate.

Sec. 25 - 263: Most states are now going to this procedure. If a licensee from another state comes to Alaska we will only require him to take the State portion of the examination and meet the requirements of 08.88.171. The reference to 08.88.211 could be deleted since it is being repealed at the end of this bill.

Sec. 26 - 291: Changes Department to Commission.

Sec. 27 - 301: Changes Department to Commission.

Sec. 28 - 361: There are many types of "listing" contracts used by the real estate industry and not all have to do with selling a property. Other would be leasing, management, etc. This section clarifies and corrects the previous statute.

Sec. 29 - 421(1): This section of the bill provides for exception to the requirement to be licensed. There has been a great deal of confusion on the part of licensees who read the current statute and believe they are not required to have transaction to their own account processed through their employing broker. The addition of the final words, "which is not in Alaska;" was necessitated by a legislative change in AS 34.55.044(6) which changed that section from defining only land located outside of the State of Alaska to defining all subdivided land in the State of Alaska. When the statute was changed 421(1), by reference to that section, technically prohibited an Alaska subdivider from selling his own property without the services of a Broker. This is clearly a violation of his constitutional rights. This wording clarifies that.

Sec. 30 - 421(9): There has been great confusion in interpreting the current law. The changes in this section hopefully clarifies the interpretation of vocation and compensation.

Sec. 31 - 421: Resident managers have technically been required to be licensed under the existing statutes. This has been unreasonable and the addition of this section will allow certain types of resident managers not to be licensed.

Sec. 32 - 431: Defines resident manager.

Sec. 33 - 010: Due to the narrow window of the surety fund limits, \$250,000 to \$300,000 before excess funds revert to the general fund, the Commission and licensees have been losing funds that they have paid. By increasing this window to \$500,000 we will eliminate this problem.

One argument has been that the surety fund fees will not be reduced. The Commission may still lower the fees if appropriate provided the fund does not go below \$250,000. It might be pointed out that the licensee is now receiving a \$50,000 "bond" per year for a cost of, in the case of brokers, \$62.50. Under the old bonding method this coverage would cost approximately \$200 per year.

Sec. 34 - 020: Changes Commissioner to Commission.

Sec. 35 - 031: This section spells out the procedures one must use when making a claim to the Commission for payment from the surety fund.

Sec. 35 - 041: Lays out the procedures for the Commission for considering payment from the surety fund.

Sec. 35 - 051: Lays out how the Commission shall make payment upon findings from the surety fund.

Sec. 36 - 070: Changes Commissioner to Commission.

Sec. 37 - 080: Changes Commissioner to Commission.

Sec. 38 - 090: Changes Commissioner to Commission.

Sec. 39 - 120: Defines Commission

Sec. 40 - 010(c): Establishes a new sunset date for the Commission. The intent of the legislature has been to set the Commission up as an "experiment" and this establishes legislative review in two years rather than four.


Sec. 41 - : Repealers.

Sec. 42 - : Effective date of the bill.

One additional comment. In the fiscal note we are requesting a budget for FY 81 of \$278,300.00. According to Occupational Licensing's figures licensees have paid \$428,294 into the general fund in FY78 and FY79. The yearly average is \$214,147 or \$64,153 short of the requested budget. Of the \$278,300, \$12,500 is for one-time cost of furniture, etc.

We are anticipating the excess amount to be approximately \$14.00 per licensee.

If you have any questions, please call me at anytime. It is my opinion that this is an excellent and workable bill.



Lance Youngquist  
Chairman, Alaska Real Estate Commission

586-1212

SECTIONAL ANALYSIS FOR HCSCS SB 212  
MAY 27, 1980

(Sec. 08.88.031)  
P.1, L.11

SECTION 1 CHANGES THE TITLE OF THE EXECUTIVE SECRETARY TO EXECUTIVE DIRECTOR AND GIVES THE COMMISSION THE POWER TO APPOINT AND DIRECT THIS POSITION RATHER THAN THE COMMISSIONER OF COMMERCE. ESSENTIALLY THIS REMOVES THE ADMINISTRATIVE SUPPORT FUNCTION OF THE REAL ESTATE COMMISSION FROM THE DIVISION OF OCCUPATIONAL LICENSING AND PLACES THIS FUNCTION WITHIN THE REAL ESTATE COMMISSION.

(Sec. 08.88.034)  
P.1, L.17

SECTION 2 PROVIDES FOR THE APPOINTMENT BY THE EXECUTIVE DIRECTOR OF A FULL-TIME INVESTIGATOR AUDITOR.

(Sec. 08.88.037)  
P.1, L.21

THIS POSITION OF SECTION 2 GIVES THE COMMISSION ITS OWN POWERS FOR INVESTIGATIONS AND INJUNCTIONS AND TRANSFERS THE POWER NOW HELD BY THE COMMISSIONER OF COMMERCE FOR INVESTIGATIONS AND CEASE AND DESIST TO THE COMMISSION AND STATES THE AUTHORITY THE EXECUTIVE DIRECTOR HAS WITH A MAJORITY OF THE COMMISSION'S APPROVAL.

(Sec. 08.88.041(B))  
P.2, L.25

SECTION 3 PREVENTS THE APPOINTMENT OF A COMMISSION WHOSE MEMBERS ARE FROM ONLY ONE DISTRICT. IT ASSURES THAT, IF AVAILABLE, EACH DISTRICT WILL HAVE A BROKER MEMBER. THERE IS ALREADY A PROVISION FOR TWO PUBLIC MEMBERS.

- (SEC. 08.88.061) P.3, L.6     SECTION 4 DELETES THE APPROVAL OF THE COMMISSIONER OF COMMERCE FROM THE COMMISSION'S AUTHORITY TO EMPLOY ASSISTANTS.
- (SEC. 08.88.071(A)) P.3, L.12     SECTION 5 GIVES THE COMMISSION THE POWER TO APPOINT SOMEONE TO HANDLE THE OFFICE AFFAIRS OF A DECEASED SOLE-PROPRIETOR BROKER, FOR THE PURPOSE OF CLOSING THE ESTATE.
- (SEC. 08.88.071(B)) P.3, L.18     SECTION 6 GUARANTEES REPAYMENT INTO THE REAL ESTATE SURETY FUND IF A CLAIM HAS BEEN AWARDED UNDER AS 45.85.
- (SEC. 08.88.08L) P.4, L.2     SECTION 7 CLARIFIES THE INTENT OF THE EXISTING STATUTE REGARDING THE REGULATION MAKING AUTHORITY OF THE COMMISSION.
- (SEC. 08.88.091) P.4, L.6     SECTION 8 WILL ALLOW THE COMMISSION TO PUBLISH INFORMATIONAL MATERIAL TO BETTER INFORM THE LICENSEES OF THEIR OBLIGATIONS AND RESPONSIBILITIES.
- (SEC. 08.88.101) P.4, L.15     SECTION 9 CHANGES THE AUTHORITY OF THE ADMINISTRATIVE DUTIES FROM THE DEPARTMENT OF COMMERCE (DOC) TO THE COMMISSION.
- (SEC. 08.88.111) P.5, L.14     SECTION 10 CHANGES DEPARTMENT OF COMMISSION.

(SEC. 08.88.121) SECTION 11 CHANGES DEPARTMENT TO COMMISSION,  
P.5, L.20

(SEC. 08.88.171(A)) SECTION 12 STIPULATES THAT A STATE RESIDENT  
P.5, L.27 CAN APPLY FOR THE EDUCATIONAL TESTING SERVICE.  
FOR LICENSURE AN APPLICANT MUST PASS THE  
QUALIFICATIONS OF THIS SECTION.

(SEC. 08.88.171(B)) SECTION 13 IS THE SAME AS SECTION 12 EXCEPT  
P.6, L.26 IT APPLIES TO ASSOCIATE BROKERS.

(SEC. 08.88.171(C)) SECTION 14 IS THE SAME AS SECTION 12 EXCEPT  
P.7, L.20 IT APPLIES TO SALESMEN.

(SEC. 08.88.171(D)) SECTION 15 CHANGES DEPARTMENT TO COMMISSION,  
P.8, L.8

(SEC. 08.88.181(A)) SECTION 16 STATES THE EXAM QUESTIONS "MAY  
P.8, L.12 INCLUDE" RATHER THAN "MUST INCLUDE" SINCE  
THE COMMISSION DOES NOT CONTROL THE QUESTIONS  
IN THE GENERAL SECTION OF THE NATIONAL  
EDUCATIONAL TESTING SERVICE.

(SEC. 08.88.191) SECTION 17 CHANGES ARE TO CONFORM WITH THE  
P.8, L.19 CURRENT PROCEDURES FOR HAVING THE EXAMS CON-  
TRACTED OUT TO A NATIONAL TESTING SERVICE.

(SEC. 08.88.221(c)) SECTION 18 RAISES THE FEE FOR TRANSFERRING  
P.9, L.8 OR AMENDING LICENSES FROM \$2 TO \$5.

(SEC. 08.88.221) SECTION 19 COMPENSATES AN APPLICANT BY  
P.9, L.10 REDUCING HIS EXAMINATION FEE BY THE AMOUNT  
PAID TO THE NATIONAL TESTING SERVICE.

(SEC. 08.88.23L) SECTION 20 CHANGES DEPARTMENT TO COMMISSION.  
P.9, L.17

(SEC. 08.88.241) SECTION 21 CHANGES THE PERIOD ~~OF~~ A LAPSED  
P.9, L.21 LICENSEE MAY GO BEFORE HAVING TO BE RE-EXAMINED  
FROM THREE TO TWO YEARS.

(SEC. 08.88.251(A)) SECTION 22 CHANGES DEPARTMENT TO COMMISSION.  
P.9, L.26

(SEC. 08.88.251(B)) SECTION 23 CLARIFIES EXISTING STATUTES  
P.10, L.4 CONCERNING INACTIVE LICENSEES.

(SEC. 08.88.251(c)) SECTION 24 CHANGES DEPARTMENT TO COMMISSION  
P.10, L.7 AND OUTLINES THE PROCEDURE BY WHICH AN INACTIVE  
LICENSEE CAN AGAIN BECOME ACTIVE.

(SEC. 08.88.263) SECTION 25 GUARANTEES RECIPROCITY WITH  
P.10, L.19 OUT-OF-STATE LICENSES PROVIDED THE APPLICANT  
HAS PASSED THE PORTION OF THE REAL ESTATE  
EXAMINATION WHICH EXAMINES ON ALASKA LAW.

(SEC. 08.88.291) SECTION 26 CHANGES DEPARTMENT TO COMMISSION.  
P.10, L.26

(SEC. 08.88.301) SECTION 27 CHANGES DEPARTMENT TO COMMISSION.  
P.11, L.7

(SEC. 08.88.361) SECTION 28 CLARIFIES AND CORRECTS THE CURRENT  
P.11, L.11 STATUTE. THERE ARE NUMEROUS TYPES OF "LISTING"  
CONTRACTS USED BY THE REAL ESTATE INDUSTRY  
AND NOT ALL ARE INVOLVED WITH SELLING A PRO-  
PERTY. (I.E., LEASING, MANAGEMENT, ETC.)

(SEC. 08.88.421(1)) SECTION 29 PROVIDES FOR EXCEPTION TO THE  
P.11, L.18 REQUIREMENTS TO BE LICENSED. SPECIFICALLY,  
TRANSACTIONS ON A BROKER'S OWN ACCOUNT MUST  
BE PROCESSED THROUGH THEIR EMPLOYING BROKER.

(SEC. 08.88.421(9)) SECTION 30 CLARIFIES THE INTERPRETATION OF  
P.11, L.23 THE WORD VOCATION WITH RESPECT TO COMPENSATION.

(SEC. 08.88.421) SECTION 31 ALLOWS CERTAIN TYPES OF RESIDENT  
P.12, L.9 MANAGERS NOT TO BE LICENSED. RESIDENT MANAGERS  
HAVE TECHNICALLY BEEN REQUIRED TO BE LICENSED  
UNDER THE EXISTING STATUTES.

(SEC. 08.88.431) SECTION 32 DEFINES RESIDENT MANAGER.  
P.12, L.16

(SEC. 45.85.010) SECTION 33 RAISES THE AMOUNT FROM \$300,000 TO  
P.12, L.19 \$500,000 BEFORE EXCESS OF THE SECURITY FUND  
FUNDS REVERT TO THE GENERAL FUND. THE  
COMMISSION AND LICENSEES HAVE BEEN LOSING  
FUNDS THAT THEY HAVE PAID IN.

(Sec. 45.85.020) SECTION 34 CHANGES COMMISSIONER TO COMMISSION.  
P.12, L.27

(Sec. 45.85.031) SECTION 35 SPELLS OUT THE PROCEDURES ONE MUST  
P.13, L.14 USE WHEN MAKING A CLAIM TO THE COMMISSION FOR  
PAYMENT FROM THE SURETY FUND AND LAYS OUT HOW  
THE COMMISSION SHALL MAKE PAYMENT UPON FINDINGS  
FROM THE SURETY FUND.

(Sec. 45.85.070) SECTION 36 CHANGES COMMISSIONER TO COMMISSION.  
P.15, L.20

(Sec. 45.85.080) SECTION 37 CHANGES COMMISSIONER TO COMMISSION.  
P.15, L.28

(Sec. 45.85.090) SECTION 38 CHANGES COMMISSIONER TO COMMISSION.  
P.16, L.6

(Sec. 45.85.120) SECTION 39 DEFINES COMMISSION.  
P.16, L.16

(Sec. 08.03.010(c)) SECTION 40 ESTABLISHES A NEW SUNSET DATE OF  
P.16, L.19 JUNE 30, 1982, FOR THE COMMISSION, THE INTENT  
OF THE LEGISLATURE IS TO ESTABLISH THE  
COMMISSION AS AN "EXPERIMENT" AND LEGISLATIVE  
REVIEW WILL BE IN TWO YEARS RATHER THAN FOUR.