

PUBLIC HEARING HB 2195

TAPES 25- A-B, 26 A

HOUSE REVENUE COMMITTEE

FEBRUARY 1, 2005 1:30 PM STATE CAPITOL BUILDING

Members Present:

- Rep. Tom Butler, Chair
- Rep. Vicki Berger, Vice-Chair
- Rep. Mark Hass, Vice-Chair
- Rep. Brian Boquist
- Rep. Sal Esquivel
- Rep. Larry Galizio
- Rep. Betty Komp
- Rep. Andy Olson
- Rep. Chuck Riley

Witnesses Present:

- Carol Reves, Administrator, OR Board of Accountancy
- Alan Steiger, Certified Public Accountant
- Sandra Suran, private management consultant

Staff Present:

- Paul Warner, Legislative Revenue Officer
- Kristi Bowman, Committee Assistant

TAPE 25, SIDE A

002 Chair Butler Calls meeting to order at 1:34 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 2195

010 Paul Warner Gives overview of bill (Exhibit 1), overview of the Oregon Board of Accountancy (Exhibit 2), and discusses summary handout from the Committee on Business, Labor and Consumer Affairs (Exhibit 3).

055 Carol Reves Asks to include the -1 amendment in her testimony. Testifies against the bill for two reasons: lack of "cease and desist" wording in current statute, and the need for clarity regarding inactive licensees. Currently the only remedy against a person in violation (unlicensed or expired license) is a civil action, a costly action that most state agencies do not often use. The board advocates the addition of the "cease and desist" authority because it will allow them to order those people violating accountancy requirements to stop their actions. The cease and desist authority is enough grounds to go in front of a civil court to obtain a preliminary injunction.

085 Reves Continues testimony. Discusses the inactive status of licensees. Requests that the word "retired" be removed from the statute for clarification purposes.

110 Reves Testifies in support of the -1 amendment because peer review (the subject of the amendment) involves the protection of the public. Discusses the use of financial statements in the business world. The profession and the board feel that the need for public protection is much higher when there is a third party reliance on the services performed by licensed accountants. Discusses confidentiality of peer review and concern by board that the peer review reports that are now confidential would be made public.

- 165 Chair Butler Comments about why financial statements are kept confidential. Has never seen a peer review report that contained anything “super-confidential” that contained specific financial information about clients.
- 175 Reves Responds that review reports generally do not contain confidential financial information. However, at the time of the passage of the statute, the board felt that the peer reviewers may not be able to do a candid review if they felt they were part of a disciplinary role. However, current standards of accounting transparency require that the peer review reports be made public.
- 211 Chair Butler Asks if there are other states requiring public disclosure of peer review reports.
- 213 Reves Responds that there are some states with less restrictive or less open public records laws that do not disclose their peer review reports. There are also some states that do not perform peer reviews. Specific state information not provided.
- 245 Rep. Komp Asks for definition of “sunshine law.”
- 247 Chair Butler Defines the law as a law aimed at opening up government procedures, e.g., peer review, to the public.

- 299 Rep. Berger Asks about “active/inactive” term referred to earlier. What is the percentage of active/inactive CPA’s? Also, what is the length of time a CPA can be away before being required to become recertified?
- 313 Reves Responds that in OR there are 5600 active licensed CPA’s and 1500 inactive. Reinstatement requirements depend on the length of time that a CPA is inactive. Provides details on relicensing requirements.
- 350 Rep. Berger Asks about the “cease and desist” authority. What is the source of this authority?
- 366 Reves Responds that “cease and desist” is the lowest level of sanction a board or an agency imposes against a member. It allows the board to take a more meaningful action against someone who has nothing to risk, e.g., an unlicensed accountant.
- 404 Rep. Berger Follow-up question. Does this come out of an increased perception of a problem or is this language pre-emptive?
- 408 Reves Responds that while it is not currently a serious problem, it gives the board a stronger sanction against potential violators of the board’s certification policies.

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- 019 Rep. Esquivel Asks about accountancy board’s current authority to impose a significant fine or other civil penalties.

- 024 Reves Responds that the board wants to have stronger authority to enforce sanctions by adding the “cease and desist” language to the statute.
- 041 Rep. Galizio Asks for clarification of “about to engage in” terminology.
- 043 Reves Responds that this language is taken from other state agencies that have similar enforcement situations. For example, the language would apply if the board learns of an individual’s intent to violate the regulations. Discusses an individual’s rights to an administrative hearing.
- 074 Rep. Boquist Asks for specific example of a person “about to engage in.”
- 076 Reves Responds that it happens frequently in advertisements for public accounting services in which a company advertises “certified CPA’s on staff.” The board then investigates whether the individuals are indeed licensed.
- 080 Chair Butler Adds another example: when school boards advertise for a [project] bid, bidders check the box on the form that they are a certified CPA in Oregon. This information needs to be verified before the contract is signed.
- 094 Rep. Olson Clarifies that the administrative hearing is a lower level than a civil matter.

101 Alan Steiger Reads from written testimony against confidentiality of peer review in House Bill 2195. Supports the amendment -1 that requires transparency of peer review reports.

220 Sandra Suran Testifies against House Bill 2195 regarding confidentiality of peer review. She supports the need for greater transparency as stated in the amendment -1.

265 Suran Gives historical overview of review programs from written testimony (Exhibit 7).

CLOSES PUBLIC HEARING FOR HB 2195

OPENS WORK SESSION FOR HB 2195

401 Rep. Berger MOTION: MOVES THE ADOPTION OF THE HB 2195 -1 AMENDMENT.

420 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, GALIZIO, KOMP, OLSON, BUTLER.

430 Chair Butler Asks for further discussion on House Bill 2195-1.

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005 Rep. Boquist Supports the bill, but expresses concern about inserting a clause pertaining to a situation “about to happen”.

010 Chair Butler Acknowledges comment.

012 Rep. Berger Comments about inadequacies and problems in the accountancy arena, and extends consideration to witnesses who support transparency in their profession.

025 Chair Butler MOTION: MOVES HB 2195-1 TO THE HOUSE WITH A DO-PASS RECOMMENDATION.

030 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, GALIZIO, KOMP, OLSON, BUTLER.

033 Chair Butler Rep. Riley will carry the bill.

038 Chair Butler Adjourns meeting at 2:30 p.m.

Tape Log Submitted by: Kristi Bowman, Committee Assistant

Reviewed by: Kim Taylor James, Committee Coordinator

Exhibit Summary:

1. HB 2195, Staff Measure Summary, Warner, 1 pg., 02/01/05
2. Handout: Oregon Board of Accountancy Overview, Consumer and Business Services, 1 pg., 02/01/05
3. Handout: House Bill 2195 Overview, House Committee on Business, Labor and Consumer Affairs, 2 pp., 02/01/05
4. HB 2195, No Expenditure Impact Statement, Legislative Fiscal Office, 1 pg., 01/27/05
5. HB 2195, Proposed Amendment HB 2195-1, Warner, 1 pg., 01/28/05
6. HB 2195, Written Testimony, Alan Steiger, 3 pp., 02/01/05
7. HB 2195, Written Testimony, Sandra Suran, 2 pp., 02/01/05