

HOUSE COMMITTEE ON AGENCY PERFORMANCE & OPERATIONS

May 6, 1999 Hearing Room E

8:00 a.m. Tapes 71 - 72

MEMBERS PRESENT: Rep. Jane Lokan, Chair

Rep. Kathy Lowe, Vice-Chair

Rep. Betsy Close

Rep. Dan Gardner

Rep. Tim Knopp

Rep. Jeff Kruse

Rep. Bob Montgomery

Rep. Kitty Piercy

STAFF PRESENT: Pat Zwick, Administrator

Susan M. Pettet, Administrative Support

MEASURES HEARD: HB 2088 Work Session

SB 151 Public Hearing

SB 151 Work Session

SB 152 Public Hearing

SB 152 Work Session

SB 153 Public Hearing

SB 154 Public Hearing

SB 154 Work Session

SB 155 Public Hearing

SB 155 Work Session

SB 158 Public Hearing

SB 158 Work Session

TAPE/#	Speaker	Comments
TAPE 71, A		
004	Chair Lokan	Opens the meeting at 8:10 a.m.
017	Chair Lokan	MOTION: Moves to RECONSIDER the vote by which HB 2088 was sent to the floor with a do-pass as amended recommendation.
022	Rep. Gardner	Asks if the rules need to be suspended.
024	Pat Zwick	Committee Administrator. Explains that Chair Lokan announced at the committee meeting on May 4 th that HB 2088 would be reconsidered on today's agenda, therefore rule suspension is not necessary.
		VOTE: 8-0 AYE: In a roll call vote, all members present vote Aye.
		Chair Lokan The motion CARRIES.
044	Chair Lokan	Explains that the motion carries, and the vote to send HB 2088 to the floor with a do-pass recommendation has been reconsidered. Informs members that HB 2088 as amended is now back before the committee. Adds that all amendments adopted by the committee are still in effect. Opens work session on HB 2088.
<u>HB 2088 WORK SESSION</u>		
048	Zwick	Explains the effects of HB 2088-7 amendments (EXHIBIT A).
052	Rep. Montgomery	MOTION: Moves to ADOPT HB 2088-7 amendments dated 5/5/99.
058	Rep. Close	Asks for the source and amount of moneys in the Community Development Fund.
060	Chair Lokan	Explains that it is part of the budget for housing that is presently before the Ways & Means Committee. Adds that HB 2088 will be considered along with that

		budget.
064	Rep. Close	Asks for clarification of the \$25 million figure.
066	Chair Lokan	Suggests Mr. Repine clarify this issue.
068	Bob Repine	Director, Oregon Housing & Community Services (OHCS). Says that the funding stream is a portion of the agency budget that suggests \$859,000 would be used to service the debt of \$25 million of lottery-backed bonds.
081	Chair Lokan	Asks if Mr. Repine approves of the ñ7 amendments.
083	Repine	Indicates he supports the ñ7 amendments.
		VOTE: 7-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 1 - Kruse
088	Chair Lokan	The motion CARRIES.
095	Rep. Montgomery	MOTION: Moves HB 2088 to the floor with a DO PASS AS AMENDED recommendation and BE REFERRED to the committee on Ways & Means.
		VOTE: 7-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 1 - Kruse
	Chair Lokan	The motion CARRIES.
114	Chair Lokan	Closes work session on HB 2088, and opens public hearing on SB 151.
<u>SB 151 WORK SESSION</u>		
132	Judith Bennington	Chair, State Board of Accountancy. Speaks in support of SB 151 (EXHIBIT B).

		Explains that ORS 297.680 requires that accountants authorized to conduct municipal audits in Oregon either reside in or have an office in Oregon. Indicates that SB 151 repeals that requirement. Remarks that the Board of Accountancy believes that a residency requirement is unnecessary for municipal auditors.
169	Rep. Gardner	Asks if bordering states have a similar law.
172	Karen DeLorenzo	Board of Accountancy. Speaks in support of SB 151. Indicates that Oregon and New Jersey are the only states that require a special license to perform municipal audits.
175	Rep. Gardner	Asks if Washington has a residency requirement.
178	DeLorenzo	Responds that no other state has a residency requirement.
180	Chair Lokan	Closes public hearing on SB 151, opens work session.
<u>SB 151 WORK SESSION</u>		
185	Rep. Lowe	MOTION: Moves SB 151 to the floor with a DO PASS recommendation.
		VOTE: 7-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 1 - Kruse
191	Chair Lokan	The motion CARRIES. REP. PIERCY will lead discussion on the floor.
199	Chair Lokan	Closes work session on SB 151, and opens public hearing on SB 152.
<u>SB 152 PUBLIC HEARING</u>		
211	Zwick	Explains provisions of SB 152.
216	Bennington	Speaks in support of SB 152 (EXHIBIT C). Explains that SB 152 relates to the Certified Public Accountant (CPA) examination. Comments that SB 152

		eliminates review of examination papers and allows fees to be set by rule. Indicates that, to her knowledge, there is no opposition to SB 152.
251	Chair Lokan	Asks how fees have been set.
253	DeLorenzo	Explains that fees are set according to costs.
263	Chair Lokan	Asks if the new computerized form will be more costly.
268	DeLorenzo	Answers that the cost may double, which will increase fees to applicants.
286	Chair Lokan	Asks how fees were established.
290	DeLorenzo	Responds, in statute. Prefers that fees be established by rule because it allows for more timely adjustment.
297	Chair Lokan	Asks if the repeal of examination review is a major change.
303	DeLorenzo	Replies that it is a major change for Oregon. Adds it will not affect candidates because no requests for review have ever been received.
324	Rep. Lowe	Asks if the examination results are public records.
331	DeLorenzo	Answers yes.
335	Rep. Lowe	Asks how long are records kept.
338	DeLorenzo	Responds that files are purged every 10 years.
341	Rep. Close	Asks why eliminate the examination review.
349	DeLorenzo	Explains that it adds to the security of the exam, and nationwide uniformity.
371	Rep. Close	Asks why the provision to allow review was initially established. Discusses the importance of access to this information.
381	DeLorenzo	Comments on the evolution of exam procedures.
421	Chair Lokan	Closes public hearing on SB 152, and opens work session.

SB 152 WORK SESSION

436	Rep. Lowe	MOTION: Moves SB 152 to the floor with a DO PASS recommendation.
		VOTE: 8-0 AYE: In a roll call vote, all members present vote Aye.
	Chair Lokan	The motion CARRIES. REP. KNOPP will lead discussion on the floor.
448	Chair Lokan	Closes work session on SB 152, and opens public hearing on SB 153.
<u>SB 153 PUBLIC HEARING</u>		
460	Zwick	Summarizes provisions of SB 153.
471	Bennington	Speaks in support of SB 153 (EXHIBIT D). Explains that the Board of Accountancy regulates the practice and performance of all services provided by licensed accountants. Indicates that SB 153 is designed to increase the civil penalty for rule violation from \$1,000 to \$5,000. Says this is more in line with present fines. Adds that the penalty increase is intended to be a deterrent. States there are increasingly complex complaints being received. Adds that this is not a revenue-producing bill.
TAPE 72, A		
054	Rep. Montgomery	Asks if a license can be removed.
068	Bennington	Explains that the Board has the authority to revoke licenses.
074	Lowe	Asks how a consumer can know if an accountant has been disciplined for ethical or other violations.
079	DeLorenzo	Explains the press release process and consumer brochure.
088	Rep. Kruse	Asks if violation information is available on the Web site.

092	DeLorenzo	Explains the information provided on the Web site.
094	Chair Lokan	Asks what infraction would cause a \$5,000 fine.
097	DeLorenzo	Answers, insider trading. Explains the broadening services provided by CPAs. Provides further examples of violations.
119	Chair Lokan	Expresses concern about the fine increase from \$1,000 to \$5,000. Asks how many fines are assessed in a year.
125	DeLorenzo	Explains there are over 80 investigations conducted in a calender year, with over half resulting in violation.
131	Rep. Piercy	Comments that a certain level of penalty is necessary to feel the impact of the violation. Notes there has been no increase for 10 years.
145	Chair Lokan	Closes work session on SB 153, and opens work session.
<u>SB 153 WORK SESSION</u>		
152	Rep. Lowe	MOTION: Moves SB 153 to the floor with a DO PASS recommendation.
		VOTE: 8-0 AYE: In a roll call vote, all members present vote Aye.
		Chair Lokan The motion CARRIES. REP. GARDNER will lead discussion on the floor.
163	Chair Lokan	Closes work session on SB 153, and opens public hearing on SB 154.
<u>SB 154 PUBLIC HEARING</u>		
169	Zwick	Summarizes provisions of SB 154.
178	Bennington	Speaks in support of SB 154 (EXHIBIT E). Explains that SB 154 modifies membership of the State Board of Accountancy to allow membership from

		industry, education, or local government, which would more correctly reflect accountant representation.
188	Chair Lokan	Asks about Board membership.
198	Bennington	Describes the Board membership requirements.
202	Chair Lokan	Closes public hearing on SB 154, and opens work session.
<u>SB 154 WORK SESSION</u>		
211	Rep. Lowe	MOTION: Moves SB 154 to the floor with a DO PASS recommendation.
		VOTE: 8-0 AYE: In a roll call vote, all members present vote Aye.
Chair Lokan		The motion CARRIES. REP. CLOSE will lead discussion on the floor.
226	Chair Lokan	Closes work session on HB 154, and opens public hearing on SB 155.
<u>SB 155 PUBLIC HEARING</u>		
229	Zwick	Explains provisions of SB 155.
236	Bennington	Speaks in support of SB 155 (EXHIBIT F). Explains that SB 155 modifies quality review activities conducted by the State Board of Accountancy. Comments that presently the American Institute of Certified Accountants and state organizations of accountants perform reviews of accountants, which would be reflected in the statute by SB 155. Says the Board wants to reserve the right to hire for quality review programs, in cases of investigation or disciplinary matters.
262	Rep. Lowe	Asks about the disciplinary process.
267	DeLorenzo	Explains the process the Board uses in disciplinary matters.

278	Rep. Lowe	Asks if the public is made aware of deficiencies.
280	DeLorenzo	Describes the press release procedure.
285	Chair Lokan	Closes public hearing on SB 155, and opens work session.
<u>SB 155 WORK SESSION</u>		
291	Rep. Lowe	MOTION: Moves SB 155 to the floor with a DO PASS recommendation.
		VOTE: 8-0 AYE: In a roll call vote, all members present vote Aye.
Chair Lokan		The motion CARRIES.
300	Chair Lokan	Closes work session on SB 155, and opens public hearing on SB 158.
<u>SB 158 PUBLIC HEARING</u>		
317	Zwick	Summarizes provisions of SB 158.
332	Bennington	Speaks in support of SB 158 (EXHIBIT G). Explains that SB 158 authorizes the Department of Revenue to allow the Board access to copies of signatures on tax return documents for the purpose of enforcing accountancy laws. Comments that the purpose is to review whether accountants who have lost their license are continuing to practice while suspended or revoked. Indicates this process expedites the determination.
350	Chair Lokan	Asks why access has been denied.
353	DeLorenzo	Explains that by law, the Department of Revenue provides only a name and address, not a copy of the signature block.
365	Rep. Lowe	Asks if the signature block is that of the preparer.
375	DeLorenzo	Responds affirmatively.
387	Rep. Lowe	Asks if the inclusion of the taxpayer's name could spur an audit.

392	DeLorenzo	Explains that the Department of Revenue takes no further action.
403	Rep. Close	Asks for clarification of "signature block."
408	DeLorenzo	Indicates that the signature block is evidence, and under administrative law, is proof of possible violation.
417	Chair Lokan	Closes public hearing on SB 158, and opens work session.
<u>SB 158 WORK SESSION</u>		
427	Chair Lokan	Asks members for discussion.
429	Rep. Lowe	Expresses concern about Senate nay votes.
431	DeLorenzo	Responds she does not know why the Senate vote contained seven nays. Explains this process will be used approximately 2-3 times per year when the Board suspects an accountant is practicing illegally.
445	Rep. Montgomery	Comments that the nay votes are philosophical in nature.
452	Rep. Knopp	Asks why does the Board need the name and address of the taxpayer.
<u>TAPE 71, B</u>		
046	DeLorenzo	Indicates reasons the name and address of the taxpayer is disclosed. Adds that this is necessary evidence to prove tax preparer violation.
056	Rep. Lowe	Asks if this information becomes public record.
061	DeLorenzo	Explains the information is used only for purposes of disciplinary action. Speculates it may fall under the public records law.
065	Susan Browning	Department of Revenue. Explains the Department disclosure statutes.
072	Chair Lokan	Asks what information is received presently in disciplinary actions.
078	DeLorenzo	Explains that the name and address of the preparer is provided, but no information on the taxpayer.
089	Rep. Lowe	Asks if this is subject to the public records law.

098	Browning	Discusses confidentiality disclosure violations.
113	Rep. Kruse	Refers to SB 158, which says the Department of Revenue may furnish to the Board of Accountancy, the names and addresses, if known, of any person who prepares an income tax return for another, and may also furnish the Board the name and address of the taxpayer. Asks why the Department of Revenue claims they cannot currently furnish this information.
125	Browning	Explains that Department of Revenue interprets the disclosure statutes very literally. Adds that if the language says the signature block can be released, it will be released.
134	Rep. Kruse	Clarifies that currently the information can be provided, but not the signature block.
138	Browning	Agrees with this.
141	Rep. Kruse	Asks why the signature block of the taxpayer is necessary.
144	DeLorenzo	Responds that the taxpayer signature block is not necessary, just the signature of the preparer.
146	Rep. Kruse	Points out that the new language says "shall include with the signature block..."
148	DeLorenzo	Responds that the client name and the signature block of the preparer is necessary.
150	Rep. Kruse	Suggests that an amendment may be appropriate.
154	Rep. Lowe	Reads ORS 673.455 (9). Opines that an attorney has access to records if needed for defense. Thinks the records are not subject to public disclosure.
167	DeLorenzo	Indicates ORS 673.455 (9) relates to quality review only.
178	Rep. Piercy	Points out that the only signature block requested is the preparer.
190	Rep. Close	Adds that the major change is "may furnish" to "shall include."
195	Chair Lokan	Indicates there may be a misunderstanding. Explains the difference from current practice.
215	Rep. Montgomery	Suggests language change in line 12 of SB 158.

244	Chair Lokan	Asks for comment, changing "may" to "shall."
249	Browning	Explains reasons for leaving the language intact.
287	Browning	Comments on the intent of the Board of Accountancy. Indicates the language change is not a problem for the Department of Revenue.
319	Rep. Lowe	MOTION: Moves to CONCEPTUALLY AMEND SB 158 on page 1, in line 12, deleting "shall" and inserting "may"; on page 1, in line 28, deleting "shall" and inserting "may".
342	Zwick	Clarifies amendment. Comments on additional new information that identifies the taxpayer.
370		VOTE: 8-0
	Chair Lokan	Hearing no objection, declares the motion CARRIED.
374	Rep. Lowe	MOTION: Moves SB 158 to the floor with a DO PASS AS CONCEPTUALLY AMENDED recommendation.
		VOTE: 7-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 1 - Kruse
	Chair Lokan	The motion CARRIES. REP. MONTGOMERY will lead discussion on the floor.
396	Chair Lokan	Closes work session on SB 158. Adjourns the meeting at 9:25 a.m.

Submitted By, Reviewed By,

Susan M. Pettey, Pat Zwick,
Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2088, -7 amendments, staff, 7 pp.

B ñ SB 151, written testimony, Judith Bennington

C ñ SB 152, written testimony, Judith Bennington

D ñ SB 153, written testimony, Judith Bennington

E ñ SB 154, written testimony, Judith Bennington

F ñ SB 155, written testimony, Judith Bennington

G ñ SB 158, written testimony, Judith Bennington