

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

1526 K Street, Suite 4D, Lincoln, Nebraska

Minutes

March 16, 2018

Draft Minutes. Minutes are not approved until the next Board meeting on 5-18-18.

Friday, March 16, 2018

1. General

- A. Call to Order and Roll Call.** The Nebraska Board of Public Accountancy (Board) was called to order at 8:30 a.m. on Friday, March 16, 2018 with Chair Lori Druse presiding. The roll was called with the following members present: Lori Druse, Tom Purcell, Marcy Luth, Michele Stromp, Bernie Gutschewski and Ken Brauer. Members Glen Waltemath and Michael McClure were absent. Also present were Executive Director Dan Sweetwood and staff members Heather Myers and Kristen VanWinkle. Board Intern Sydney Sackmaster was not available. The meeting was held at the Board Office, 1526 K Street, in Suite 4D, Lincoln, Nebraska. Chair Druse noted the location of the notebook containing the Public Open Meeting Act, and asked if anyone present needed an agenda or had any questions regarding the law. Also present were Dan Vodvarka, Nebraska Society of CPAs President, Lynn Melson, Assistant Attorney General, and Robert Gritmit, Board Attorney.
- B. Approval of Meeting Agenda for Friday, March 16, 2018.** Moved by Purcell, seconded by Luth, to approve the agenda for the Friday, March 16, 2018 meeting. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #1 carried.
- C. Approval of Minutes from January 12, 2018.** Moved by Brauer, seconded by Stromp, to approve the January 12, 2018 Board minutes. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #2 carried.

2. Public Comment Period (15-minute period)

Dan Vodvarka, Nebraska Society of CPAs President – Mr. Vodvarka stated the CPE schedule for 2018 is complete and will be sent out April 2nd. There are around 100 courses scheduled from May – December with many courses related to tax. He thanked the Board staff for reviewing the CPE and providing approval quickly. The Nebraska Legislature started its 42nd day on March 15th and is set to adjourn on April 17th. The budget bill has been taken care of. The sales tax bills that he has been monitoring will not come out of committee. He thinks that LB1090 will pass which will offset tax increases on state taxes. The Society has remained neutral on LB299 – Occupational Licensing and continues to monitor the Bill with ED Sweetwood. There will be 10-12 new senators next year due to term limits.

3. Consent Agenda

- A. Published Notice of Meeting.** Moved by Stromp, seconded by Gutschewski, to approve the consent agenda. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #3 carried.

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- B. **Review of Disbursements for January and February 2018.** Board Secretary Luth overviewed the disbursements for the Board.
- C. **Review of Board Budget Status Report.** The current budget status report was provided and reviewed by Board Secretary Luth including noted areas that are trending lower this year.

4. Report of the Chair

- A. **Report of the Chair.** Chair Druse gave the report.
 - 1. **Review New Procedures from 2017 Audit** – The Board reviewed and adopted two new procedures: NASBA/CPAES Service Organization Control Report and Tuition Reimbursement Policy. It was suggested to have a reminder at the EAC meeting each year to have NASBA bring the control report to the meeting if the report hasn't already been reviewed. Moved by Luth, seconded by Brauer, to approve the NASBA/CPAES Service Organization Report policy. On a roll call vote, Members Druse, Purcell, Luth, Stomp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #4 carried. Moved by Purcell, seconded by Stomp, to approve the Tuition Reimbursement policy. On a roll call vote, Members Druse, Purcell, Luth, Stomp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #5 carried.
- B. **Executive Committee Meeting** – There was no update.
- C. **Consideration of Petition for Declaratory Order** – The Board discussed in closed session with Lynn Melson, Asst. AG, present. The Board had received the Petition on February 20, 2018 under the requirements of NAC Title 288/ Chapter 12 within Board regulations. Upon returning to open session and after discussion, moved by Stomp, seconded by Purcell, to refuse to issue a declaratory order because they do not believe they have the authority to do so per Title 288 – Chapter 12 (009.01C), (009.01D), (009.01G) and (009.01H). On a roll call vote, Members Druse, Purcell, Luth, Stomp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #9 carried.
- D. **Attendance at Western Regional Meeting, June 26-28, 2018, Olympic Valley, CA** – Chair Druse polled the Board to see who was interested in attending. Member Stomp will attend as a member of the NASBA Nominating Committee. Member Brauer is available to go. ED Sweetwood mentioned the importance of attending this meeting. There will be discussions regarding the AICPA restructure, the pipeline and the new pathway to CPA and it is valuable for them to be able to provide their thoughts during the discussions. He indicated due to the discussions over the possibility of a new pathway and possible changes to the scope of the profession this could be the most significant discussion regarding the profession he could remember. Moved by Purcell, seconded by Stomp, to approve attendance of any member to the Western Regional meeting as it has been deemed essential travel so necessary and timely discussion can occur due to changes to the scope of the profession and regulations. On a roll call vote,

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Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #6 carried.

- E. Review Board Calendar.** Member Gutschewski will be out of town for the September and November Board meetings. It was suggested the September meeting be moved to September 14th and the November meeting be moved to November 16th. Staff will reach out to absent Board members to see if there are conflicts with the new dates.

Closed Session

Closed Session. Moved by Stromp, seconded by Luth, that the Board go into closed session at 10:06 a.m., on Friday, March 16, 2018, for the purpose of discussing the Petition for Declaratory Order which is necessary to protect the public interest and so the Board can receive legal advice concerning its options, from its attorney, which is covered by the attorney-client privilege. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #7 carried.

Return to Open Session. Moved by Luth, seconded by Purcell, that the Board return to open session at 11:04 a.m., on Friday, March 16, 2018. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #8 carried.

Closed Session

Closed Session. Moved by Gutschewski, seconded by Purcell, that the Board go into closed session at 11:23 a.m., on Friday, March 16, 2018, for the purpose of discussing a licensing issue with the Board Attorney, which is covered by the attorney-client privilege. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #10 carried.

Return to Open Session. Moved by Purcell, seconded by Luth, that the Board return to open session at 11:56 a.m., on Friday, March 16, 2018. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #11 carried.

Closed Session

Closed Session. Moved by Stromp, seconded by Luth, that the Board go into closed session at 12:39 p.m., on Friday, March 16, 2018, for the purpose of discussing enforcement matters. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #13 carried.

Return to Open Session. Moved by Stromp, seconded by Purcell, that the Board return to open session at 12:54 p.m., on Friday, March 16, 2018. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #14 carried.

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5. Report of Enforcement of Professional Conduct Committee

- A. **Open Case/LMCO Update.** Committee Chair Stromp gave the report. Discussion included requesting staff to review/compare character and fitness standards of other states. Motion out of committee to authorize the Board Attorney to file a petition, if necessary, to revoke the permit of complainant named in #17-06 based on action taken in Kansas. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #15 carried.
- B. **Ratification of LMCOs, if any** - There were no LMCO's.
- C. **Recommended Cases to Close** – There were no cases to close.

6. Report of Continuing Professional Education (CPE) Committee

- A. **Report of the Committee.** Committee Chair Purcell gave the report. Motion out of committee to forward 4 reinstatement applications to the Licensing Committee for approval. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #17 carried. ED Sweetwood indicated he commented at the NASBA Executive Directors Conference regarding the Board's practice of requiring full reporting of CPE hours/courses and the development of the CPE online reporting tool many years ago. This continues to include out of state CPAs who must report to Nebraska requirements. The comments were in response to the concern of other State Boards who have low levels of CPE reporting compliance while Nebraska reporting remains in high compliance due to current requirements.
- B. **Ratification of Staff Program Qualification Evaluations.** The Committee reviewed a total of 103 courses from January 1 – February 28, 2018 with 103 courses recommended for Board approval and none denied. Motion out of committee to ratify Board approval of 103 courses. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #16 carried.
- C. **Ratification of CPE Sponsor.** The committee reviewed 1 Sponsorship application. Motion out of Committee to ratify Board approval of CPE Sponsorship to Nebraska Society of CPAs. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #18 carried.

7. Report of Education & Exam (E&E) Committee

- A. **Report of the Committee.** Committee Chair Luth gave the report. The committee reviewed the survey results and requested staff create process map for signing up for the exam to help alleviate confusion. The Committee reviewed one course from a Colorado university and discussed the approved BACC courses for UNK.
- B. **Approval of Exam Scores from January – March 10, 2018, if available** – Scores were not available at this time.

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8. Report of the Legislative Committee

- A. **Report on Legislation:** ED Sweetwood gave the report and provided an update on LB299 including various updates to the committee over the last two months. At one point, it appeared LB 299 would not advance after initial discussion on the floor on General File but did reappear after additional amendments and was advanced. The Bill will continue to be monitored. ED Sweetwood commented that although the Bill includes many occupations and was not specifically introduced to focus on the traditional professions such as the CPA designation, any review of the PAA and regulations would be welcome. He pointed out the recently released Board's response to Governor Ricketts Executive Order #17-04 would be a good starting point for any overview of the CPA profession and its requirements.

1. **LB867 – Index Updates/Policy Changes:** Staff VanWinkle overviewed the two new policies added to the matrix. It was requested that policy #10.03 be reviewed and the date confirmed by staff.

9. Report of the Peer Review Committee

- A. **Report of the Committee.** ED Sweetwood gave the report due to the absence of Chair McClure. He noted that the next Peer Review Committee meeting will be held in the Spring. NASBA is looking at providing the service of a PROC. Currently, the Board is dealing with its first cases of Peer Review failure.

10. Report of the Licensing Committee

- A. **Report of the Committee.** Committee Chair Druse gave the report.
The Committee discussed two Business, Governmental, Academia (BGA) experience applications
Motion out of Committee to recommend approval of Brittney Gill's application. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #19 carried.
Motion out of Committee to recommend approval of Andrea Shultz's application. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #20 carried.
The Committee discussed an initial permit application where the applicant has been a sole proprietor for the last 20 years and had no one to sign off on his experience. Staff provided verification of licensure in another state for the last 20 years. Moved by Purcell, seconded by Brauer, to waive Chapter 7 (001.01a) and approve Ronald Futterman's application. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #21 carried.
The Committee continued discussion on an application from a CPA firm to be owned by an ESOP (Employee Stock Ownership Program). A former Board member with expertise in this area has been engaged and suggested verbiage to add to the PAA. ED

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Sweetwood provided a timeline for the potential change suggesting it could be considered in the 2019 session of the Legislature.

The Committee discussed two proposed policies. The first regarding a firm name change and what is considered a name change vs. a new firm. Stated additional information from each instance would need to be considered, such as firm ownership, structure changes, etc. The second regarding allowing the word “Company” to be used in a Professional Corporation firm name. Currently, the staff’s checklist doesn’t allow this but the NE Secretary of State (SOS) does. Board suggested staff schedule a meeting with SOS to continue the discussion and get additional information.

- B. Review #AC11917 Application** - The Board discussed in closed session with Robert Gruit, Board Attorney, present. Upon returning to open session, moved by Purcell, seconded by Gutschewski, that based on additional information and advice of legal counsel, the Board on its own motion has reconsidered its prior decision on AC11917 and concluded that AC11917 should be granted without further hearing or action by the Board. The application shall be processed by staff in accordance with the usual procedures. On a roll call vote, Members Druse, Purcell, Luth, Stomp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #12 carried.

- C. Ratification of initial permits to practice issued, certificates issued, firm permits.** Motion out of committee to recommend approval of initial permits to practice issued, certificates issued, firm permits issued from January 12 – March 16, 2018. On a roll call vote, Members Druse, Purcell, Luth, Stomp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #22 carried.

- D. Reinstatements to Active Permit, Inactive Retired Affidavits, Surrendered Certificates.**

Motion out of committee to recommend approval of Reinstatements to Active Permit, Inactive Retired Affidavits, Surrendered Certificates from January 12 – March 16, 2018. On a roll call vote, Members Druse, Purcell, Luth, Stomp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #23 carried.

Reinstatements:

- Karmen Hansen – Elkhorn, NE
- Gail Hawkins – Omaha, NE
- Bridget Miller – Russellville, TN
- Paul Shomshor, Jr. – Council Bluffs, IA

Inactive - Retired affidavits:

- David Diamond – Omaha, NE
- Vicki Frances – Plattsmouth, NE
- Dennis Kruse – Grand Island, NE
- Sheila Lenagh-Horton – Omaha, NE
- Dianne Lindholm – Oldsmar, FL
- Brian Pawling – Lincoln, NE

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Surrendered Certificates:

- William Brown – Mechanicsburg, OH
- Millie Buessing – Summerfield, KS
- Nathan Cech – Chicago, IL
- Michelle Gonzalez – Valparaiso, IN

11. Report of the Executive Director

- A. **Budget Status.** ED Sweetwood stated the budget process will begin this year, however materials have not been received yet. The current budget is well within current appropriations.
- B. **Staffing & General Office Issues.**
1. **Service Agreement with Midwest Micro Systems** – The contract price was increased from \$100/hour to \$150/hour. The price has not been increased for over 15 years. Additionally, MMS billable hours will be reduced due to the server migration as noted below. MMS will still be utilized for some software work and consulting services. The physical backup server is in the process of being migrated to the state’s “backbone” system by the OCIO office; we are nearing the end of that process.
 2. **Subscription to Universal Press** – Item was skipped due to time.
 3. **Update on Board Website Project** – Staff provided an update on the progress of the new website. Mockups of the new website were shown to the Board for feedback. Staff will provide feedback to NE Interactive so the changes can be made. It is anticipated staff and NE Interactive will overview the completed project at the May meeting. Board members were invited to provide further input directly to staff on the website.
- C. **ED Conference Update** – ED Sweetwood provided an update from the ED Conference held March 13-16, 2018. Several items of note were: Prometric was bought out by an investment firm, Gateway 2.0 has been released and has had some issues, NASBA/AICPA considering continuous testing by shortening the blackout windows, the new tax law will be on the CPA exam starting January 1, 2019, what the future of the CPA exam is, a new pathway to CPA (as discussed earlier), the AICPA structure issue and the mutual recognition agreement (MRO) with the UK. Member Purcell questioned the status of MRO in Nebraska and other agreements. It was noted that no changes would be made until the UK/MRO was approved by the Board at a future meeting. It was noted that the Board has not received an application for many years from one of these candidates. The Board’s Licensing Committee will be updated on the MRO status at their next meeting.

12. New Business

- A. **NASBA Items:**
1. **NASBA Seeking Vice Chair Interest for 2018-19 year**

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2. NASBA – “Professional Accounting Organizations in UK and US Sign Mutual Recognition Agreement”

3. NASBA Committee Interest Form for 2018-19 cycle

B. Other Miscellaneous Items: FYI articles

13. Adjournment

Moved by Purcell, seconded by Luth, to adjourn the meeting at 2:46 p.m. on March 16, 2018. On a roll call vote, Members Druse, Purcell, Luth, Stromp, Gutschewski and Brauer voted aye. Members Waltemath and McClure were absent. Motion #24 carried.

Respectfully submitted by,

Board Secretary
Marcy Luth