

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

1526 K Street, Suite 410, Lincoln, Nebraska

Minutes
July 18, 2014

Draft Minutes. Minutes are not approved until the next Board meeting.

Friday, July 18, 2014

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, July 18, 2014 with Chair Bernie Gutschewski, presiding. The roll was called with the following members present: Bernie Gutschewski, Lori Druse, Jan Glenn, Michele Stromp, Michael McClure, Marcy Luth, Tom Purcell and Glenn Waltemath. Also present were Executive Director Dan Sweetwood, Staff members Jo Lowe and Heather Myers, and Intern Lisa Steffensmeier, UNL Accounting major from Norfolk. The meeting was held at the Board Office, 1526 K Street, in Suite 4D, Lincoln, Nebraska. Chair Gutschewski 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. Visitors present were Jason Tonjes, Bland & Associates, P.C., Robin Kilgore, Nebraska State Budget office, and Ken Brauer, Nebraska Society of Independent Accountants.
- B. Approval of Meeting Agenda for Friday, July 18, 2014.** Moved by Glenn, seconded by Druse, to approve the agenda for the Thursday, May 15, 2014 meeting. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #1 carried.
- C. Approval of Minutes from May 15, 2014.** Moved by Luth, seconded by McClure, to approve the Board minutes from the May 15, 2014 meeting. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell, and Waltemath voted aye. Motion #2 carried.

2. Public Comment Period (15 minute period)

Jason Tonjes addressed the Board concerning use of the word “principal” when used with CPAs and non-CPAs. His firm used the term and was confused on why use of the term could be considered in violation of Title 288 Chapter 11 001.03. The Board held a discussion on the history including the development of the non-CPA ownership provisions and it appeared the term was “carved out” for use by non-CPA owners. Board staff will continue to research the issue and report back to Mr. Tonjes and the Board.

Robin Kilgore, Analyst with the Nebraska State Budget office, was present. She will assist the Board with the 2015-2017 State Budget process.

Ken Brauer, Nebraska Society of Independent Accountants (NSIA), indicated the NSIA national meeting will be held in August with NASBA CEO Ken Bishop and Board Chair Carlos Johnson as conference presenters.

Agenda Item 5 B. 9:30 am: Public Hearing for Ron Baxa. Hearing Officer Gutschewski opened the hearing at 8:57 am. Board attorney Gritmit presented the case for the Board.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

1526 K Street, Suite 410, Lincoln, Nebraska

Minutes
July 18, 2014

Ronald Baxa was present and not represented by an attorney. Exhibits were entered in to the record. The hearing concluded at 9:28 am.

Closed Session

Closed Session. Moved by Purcell, seconded by McClure, that the Board go into closed session at 9:30 a.m., on Friday, July 18, 2014, for the purpose of discussing the hearing for Ron Baxa. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #3 carried. Chair Gutschewski restated that the purpose for the closed session was to discuss the hearing for Ron Baxa.

Return to Open Session. Moved by Druse, seconded by Stromp, that the Board return to open session at 10:21 a.m., on Friday, July 18, 2014. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #4 carried.

3. Consent Agenda

- A. **Published Notice of Meeting.** Moved by Druse, seconded by Luth, to approve the consent agenda. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #5 carried.
- B. **Review of Disbursements for March, April, May and June 2014.** Disbursements were reviewed prior to the Board meeting by Board Secretary Glenn. She reported no matters of interest other than normal payments. Staff Myers provided further information and requests from the DAS/Pre-auditor for Board expense reimbursement.
- C. **Review of Board Budget Status Report.** The current budget status report was provided for review. ED Sweetwood reviewed the Budget Status Report and discussed processes for developing the FY 2015–2017 budget. See agenda item #11B.
- D. **Office Licensing Report.** The Office Licensing Report was provided to the Board.

4. Report of the Chair

- A. **Report of the Chair.** Chair Gutschewski gave the report.
- B. **Election of 2014-2015 Board Officers.** Moved by Stromp, seconded by Druse, to cast a unanimous ballot for Gutschewski as Board President. On a roll call vote, Members Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Member Gutschewski abstained. Motion #6 carried. Moved by Stromp, seconded by Gutschewski, to cast a unanimous ballot for Druse as Board Vice Chair. On a roll call vote, Members Gutschewski, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Member Druse abstained. Motion #7 carried. Moved by Druse, seconded by Luth, to cast a unanimous ballot for Glenn as Board Secretary. On a roll call vote, Members Gutschewski, Druse, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Member Glenn abstained. Motion #8 carried.
- C. **NASBA Western Regional Meeting Report.** Members Stromp and Waltemath reported on sessions and lessons learned at the NASBA meeting held June 11-13, 2014, St. Louis, MO. Issues covered included the Dept. of Labor ERISA failed audit

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

1526 K Street, Suite 410, Lincoln, Nebraska

Minutes
July 18, 2014

collaboration with state boards, international CPA mobility, revised UAA definition of attest, whistleblower protections, and delivery methods for CPE. CPT (Center for the Public Trust) student attendees impressed Board members. New Board member Waltemath appreciated the new Board member orientation sessions. NASBA nominated Member Glenn for Central Regional Group Chair. All attending Board members commented on the value of attending the meetings to gain a national perspective of professional issues affecting the CPA profession.

- D. **Review Board Calendar.** The next Board meeting will be held Friday, September 12, 2014 starting at 8:30am at the Board office (Conference room 4 D).
- E. **Report on To Do List.** There was no report at this time.

Closed Session

Closed Session. Moved by Stromp, seconded by Glenn, that the Board go into closed session at 12:11 p.m., on Friday, July 18, 2014, for the purpose of enforcement matters. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #10 carried. Chair Gutschewski restated that the purpose for the closed session was to discuss enforcement matters.

Return to Open Session. Moved by Druse, seconded by Luth, that the Board return to open session at 12:30 p.m., on Friday, July 18, 2014. On a roll call vote, Members Gutschewski, Druse, Glenn, McClure, Luth and Waltemath voted aye. Members Stromp and Purcell were absent. Motion #11 carried.

5. Report of Enforcement of Professional Conduct Committee

- A. **Open Case/LMCO Update.** Committee Chair Stromp reviewed the open case file. Moved by McClure, seconded by Luth, that in the absence of satisfactorily signed LMCO's for cases 12-06A and 12-06B, that the Board find probable cause to proceed and that the Board attorney be directed to file petitions for the two cases based on the SEC action to suspend. On a roll call vote, Members Gutschewski, Druse, Glenn, McClure, Luth, Purcell and Waltemath voted aye. Member Stromp abstained. Motion #18 carried.
- B. **Public Hearing for Ron Baxa.** Moved by Waltemath, seconded by Luth, to approve the Decision and Order for Baxa. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #21 carried.
- C. **Recommended Cases to Close.** Motion out of Committee to close cases:
 - #13-06: Case involved the possibility of person holding out as a CPA to be determined within a civil case filed. The case was closed so no further evidence could be determined by the Committee.
 - #14-01 A complaint was filed against a CPA firm based on allegations the firm transferred money from accounts causing financial hardship. The Committee determined the CPA firm did have authority and it appeared the case was more of a fee dispute.
 - #14-02 The complaint filed against a CPA for providing information to the IRS. The Committee concluded after review of the CPAs response it was proper for him to provide the information.
 - #14-03 Complaint filed against CPA for billing for a subpoena issued in conjunction with a divorce proceeding. After review of CPAs response to not collect the fee the matter was recommended for closure.On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #12 carried.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

1526 K Street, Suite 410, Lincoln, Nebraska

Minutes

July 18, 2014

- D. **Report on To Do List.** There was no report at this time.

6. Report of Continuing Professional Education (CPE) Committee

- A. **Report of the Committee.** Committee Chair McClure gave the report. The Committee reviewed a total of 66 courses with 66 recommended for Board approval and none denied. Motion out of Committee to forward two reinstatements to the Licensing Committee. On a roll call vote, Members Gutschewski, Druse, Glenn, Stomp, McClure, Luth, Purcell and Waltemath voted aye. Motion #14 carried. Motion out of Committee to approve of 120 hours of CPE for 10 year old experience per Rules Chapter 7 001.01C and forward to the Licensing Committee. On a roll call vote, Members Gutschewski, Druse, Glenn, Stomp, McClure, Luth, Purcell and Waltemath voted aye. Motion #15 carried. The Committee reviewed and discussed an article out of the Journal of Accountancy regarding the AICPA task force advocates for new strategies in professional development. Staff Myers has completed 43 CPE Audits. ED Sweetwood and Chair McClure will randomly review some of the audits in July. CPE Committee meeting will be held at Mahoney State Park August 5, 2014 to discuss the CPE Guidelines.
- B. **Ratification/Denial of Staff Program Qualification Evaluations.** Motion out of Committee to recommend Board approval of 66 reviewed courses from May 13, 2014 to June 28, 2014 with 66 courses approved and none denied. On a roll call vote, Members Gutschewski, Druse, Glenn, Stomp, McClure, Luth, Purcell and Waltemath voted aye. Motion #13 carried.
- C. **Ratification of CPE Sponsor.** There were no sponsor applications at this time.
- D. **Report on To Do list.** The To Dos are listed in the Committee Report.

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

- A. **Report of the Committee.** The Committee reviewed the Successful Exam candidate survey for 2014 Q1 which had only 6 responses out of 21 surveys mailed. A candidate requested use of 18 hours of community college credits not accepted for a degree to meet the 150 hours for the exam. Staff visited with the attorney general's office to review the PAA and Rules regarding the issue. Committee Chair Glenn reported on new exam application processes following replacement of the original CPAES database. Member Luth reported on her visit to the Kearney Exam Center. Center for the Public Trust (CPT) Director Alfonzo Alexander will meet with UNO and Creighton staff on July 22, 2014 to discuss the program and implementing chapters in Nebraska. Board staff has created a Nebraska specific ethics exam (based on Nebraska Rules Chapter 5 Code of Professional Conduct) to help raise awareness of the Board. ED Sweetwood reported on the practice analysis update for the CPA exam. Use of the ALD will allow a selection of recently (within the last ten years) licensed CPAs to provide input on current CPA firm practices to best update exam content. Moved by Glenn, seconded by Stomp, to approve the use of the ALD data for the CPA Exam

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

1526 K Street, Suite 410, Lincoln, Nebraska

Minutes

July 18, 2014

practice analysis project. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #17 carried.

- B. Approval of CPA Exam Scores.** After review of the Q2 scores, Nebraska ranked fifth nationally in highest overall scores! Moved by Glenn, seconded by Purcell, to ratify the 2014 Q2 exam scores. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #16 carried.
- C. Report on To Do List.** There was no report at this time.

8. Report of the Legislative Committee

- A. Report on Legislation:** The Committee met and discussed whether any other legislative initiatives should go forward in the 2015 Legislative session. It was determined it would be best not to go forward with any other changes to the Public Accountancy Act other than the Peer Review requirement at this time. A Board initiated rules package was discussed knowing that the Peer Review initiative would require new and amended regulations. Other identified recommended rule changes could go forward with this package as long as they were provided within separate rule packages so one not approved would not effect the others.
- B. Report on To Do List.** There was no report at this time.

9. Report of Quality Enhancement Program (QEP) Committee

- A. Report of the Committee.** Committee Chair McClure gave the report. He indicated the QEP Task Force met on July 15, 2014 in the Board office. Board Attorney Gritmit briefed the Task Force on his initial draft to be placed within the Public Accountancy Act to require Peer Review for CPA firms. After receiving feedback from the AICPA Peer Review Team and further discussion of the Committee, Mr. Gritmit indicated he will revise and issue a new draft soon for review. It is anticipated a new draft will be available for Board review at their September meeting. The Task Force will continue to meet to review the draft and continue to review and provide input on the draft regulations needed to support the Peer Review requirement.
- B. Report on To Do List.** There was no report at this time.

10. Report of the Licensing Committee

- A. Report of the Committee.** Committee Chair Druse gave the report. One issue involved an "out of country" CPA requesting licensure in Nebraska, an issue which may become more common. The Committee discussed the Dept. of Labor (DOL) detection of a 32% error rate on ERISA (pension) audits. The DOL has begun working with Boards to make certain all firms are appropriately licensed. Staff is following up on firms regarding "egregious" audit errors conducted for Nebraska businesses. Policies and procedures for missed renewal deadlines were reviewed and affirmed.
- B. Ratification of initial permits to practice issued, certificates issued, firm permits.** Motion out of Committee to recommend Board approval of initial permits to practice issued, certificates issued, firm permits received between May 14, 2014 and July 17,

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY
1526 K Street, Suite 410, Lincoln, Nebraska

Minutes
July 18, 2014

2014. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #19 carried.

C. Reinstatements to Active Permit, Inactive Retired Affidavits, Surrendered Certificates.

Motion out of Committee to recommend Board approval of the Reinstatements, Inactive Retired Affidavits, and Surrendered Certificates received between May 14, 2014 and July 17, 2014:

Reinstatements:	Laura Frahm	Plainview NE
	Lynda Anderson	Lincoln NE
Inactive - Retired affidavits:	John Dappen	Omaha NE
	Joseph Desplinter	New York NY
	Gerald Korinek	N. Charleston NC
	Thomas Kort	St. Petersburg FL
	Michael Kunkel	McCook NE
	Janice Lauritsen	Omaha NE
	Malcolm Johnson	DeBary FL
	Lyle Pedersen	Omaha NE
	Sharon Staddon	Bozeman MT
	Peter Starke	Plattsmouth NE
	Gary Fitch	Grand Island NE
	Mary Kalb	Kearney NE
Surrendered Certificates:	Charles Alford	Richardson TX
	Jeffery Baker	Des Moines IA
	Bradley Broberg	Des Moines IA
	Lyle Pedersen	Omaha NE
	Mark Leitner	Victoria MN
	Jimmy Mo	Wilmington DE
	Douglas Roozeboom	Des Moines IA
	James Schmidt	Minneapolis MN
	Kenneth Vander Hart	Topeka KS
	William Trainor	Parker CO
	Timothy Hale	Hong Kong

On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #20 carried.

- D. Review of 2014 Licensing Renewal process.** The online renewal adoption rate over all four types was 80%, up 5% from the previous 2012 renewal. Fourteen actives had not renewed and 6 firms/SPs not renewed as of July 23, 2014. Staff will continue to work with those not-renewed.
- E. Report on To Do List.** There was no report at this time.

11. Report of Executive Director

- A. Report and Status of Online Renewal Applications 2014.** ED Sweetwood reported that the online renewals were working well. Paper applications are still requested at times but more and more licensees and registrants are utilizing the online forms.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

1526 K Street, Suite 410, Lincoln, Nebraska

Minutes
July 18, 2014

- B. Board Budget and Fiscal Year 2014 Summary.** ED Sweetwood reported FY14 ended June 30, 2014 with revenues exceeding expenditures. The board's decision to reduce fees for 2014 substantially reduced revenues that abated the increase to the Board cash fund. Overall, expenditures were slightly lower over the past several years.
- C. Nebrasak.gov Report.** Future meetings will be held to overview the Board online survey to determine if any changes are necessary to the online systems.
- D. Staffing & General Office Issues.** ED Sweetwood congratulated staff members Lowe and Myers, and Intern Steffensmeier, for their work over the 2014 renewal period. Board surveys were very positive with several comments regarding assistance from the Board office. Survey results will be shared with the Licensing Committee at the next meeting.
- E. Report on To Do List.** There was no report at this time.

12. New Business

- A. NASBA Items:**
 - 1.) Attendance at the NASBA Annual Meeting, Washington, D.C., November 2-5, 2014. Moved by Purcell, seconded by McClure, to approve five Board members and one staff member to attend NASBA Annual Meeting, Nov. 2-5, 2014, Washington DC. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #9 carried.
 - 2.) NASBA Committee Reports. No committee reports were discussed.
 - 3.) FYI's. Articles were provided to the Board.
 - 4.) NASBA FYI articles. Articles were provided to the Board.
- B. Other Miscellaneous Items:** Articles were provided to the Board.

13. Adjournment

Moved by Druse, seconded by Gutschewski to adjourn the meeting at 2:55 p.m. on July 18, 2014. On a roll call vote, Members Gutschewski, Druse, Glenn, Stromp, McClure, Luth, Purcell and Waltemath voted aye. Motion #22 carried.

Respectfully submitted by,

Board Secretary
Jan Glenn