

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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SUMMARY OF: A Sunset Review of the Department of Commerce, Community, and Economic Development, Board of Public Accountancy, October 25, 2004.

PURPOSE OF THE REPORT

In accordance with Title 24 and Title 44 of the Alaska Statutes, we have reviewed the activities of the Board of Public Accountancy (BOPA). As required by AS 44.66.050(a), the legislative committees of reference are to consider this report during the legislative oversight process involved in determining if the board should be reestablished. Currently, AS 08.03.010(c)(1) states that the board will terminate on June 30, 2005. If the legislature does not extend the termination date for the board, BOPA will have one year to conclude its administrative operations.

REPORT CONCLUSIONS

In our opinion, the termination date for the Board of Public Accountancy (BOPA) should be extended. The board is serving a public interest by operating in an effective manner in its licensing and regulation of certified public accountants and public accountants. The board is acting in the public interest by promoting the competence and integrity of those who hold themselves out to the public as certified public accountants (CPAs) or public accountants (PAs).

The board continues to make regulation changes, improving its effectiveness of monitoring CPAs and PAs licensed in the State of Alaska; making sure they are competent and capable of maintaining the integrity of the profession. The board is proactively attempting to restore testing sites to Juneau and Fairbanks for the Uniform Certified Public Accountant Examination – which have been closed with the implementation of a new testing process by the American Institute of Certified Public Accountants.

Alaska Statute 08.03.010(c)(1) requires the Board of Public Accountancy be terminated on June 30, 2005. Under AS 08.03.020, if the termination date is not extended by the legislature, the board will have a one-year period to administratively conclude its affairs. We recommend the legislature extend the board's termination date to June 30, 2009.

FINDINGS AND RECOMMENDATION

1. BOPA should continue to be proactive in providing better access to its primary licensing examination – the Uniform Certified Public Accountant Examination (CPA Exam).

In 2004, the manner in which the CPA Exam is administered in Alaska was changed. Previously, the examination was administered twice a year at a minimum of three testing sites typically located in Anchorage, Fairbanks, and Juneau. The examination spread over two and one-half days; although individuals, who passed previous segments, only had to sit for the parts they had yet to successfully pass.

In 2004, in conjunction with changes of format and structure that were made nationally by the American Institute of Certified Public Accounts (AICPA), the examination was changed to an all-computerized format that could be taken in whole or in parts up to three, and eventually four, times a year. By increasing the availability of the examination across the full year, access for applicants was improved. However, as the new testing regimen was implemented in Alaska, this improved access was offset to a large degree by the restriction in the number of available testing sites. Under the new testing regimen, applicants can only take the examination at one test site located in Anchorage.

Such circumstances make taking the examination much more expensive for applicants in the Interior and Southeast Alaska. Applicants from these regions must now travel to Anchorage, arrange for transportation and accommodations, in addition of having to pay a higher examination fee.

BOPA has adopted a resolution requesting that more testing sites be made available in Alaska for the CPA Exam. BOPA is actively working with NASBA, negotiating on the board's behalf, to modify the existing contract to provide for more test sites. The board, representatives of the University of Alaska, the state professional society, CPA firms – as well as individual CPAs – recognized the problems involved with having only one test site in Alaska. Individually, and in tandem, some of these groups have been trying to work with NASBA and Prometric to set up an additional testing site.

A central tenet of occupational licensing is that regulatory boards for given professions primarily exist to provide public and consumer protection without unduly restricting or limiting entry into the regulated profession. Accordingly, the board must continue to be proactive, and NASBA should be proactive with the AICPA, to be sure the licensing procedures conform with the public policy objectives of occupational regulation and oversight.

November 5, 2004

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY,
AND ECONOMIC DEVELOPMENT
BOARD OF PUBLIC ACCOUNTANCY

October 25, 2004
Audit Control Number
08-20027-05

This audit was conducted as required by AS 44.66.050 and under the authority of AS 24.20.271(1). Alaska Statute 44.66.050(c) lists criteria to be used to assess the demonstrated public need for a given board, commission, agency, or program subject to the sunset review process. Currently under AS 08.03.010(c)(1), the Board of Public Accountancy is scheduled to terminate on June 30, 2005 and has one year in which to conclude its administrative operations. We recommend that the legislature extend the board's termination date to June 30, 2009.

Article IX, Section 14 of the Alaska Constitution, requires that the position of Legislative Auditor be filled by a certified public accountant (CPA). Likewise, the professional staff at the Division of Legislative Audit are either licensed or are pursuing licensure as CPAs. Since the board is responsible for licensing and regulating CPAs, our agency does not meet the independence standard required by generally accepted government auditing standards. Therefore, we are disclosing our lack of independence and the resulting lack of adherence to that auditing standard.

Except for the issue related to the independence standard discussed above, the audit was conducted in accordance with generally accepted government auditing standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are set out on page one of this report.

Pat Davidson, CPA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 and Title 44 of the Alaska Statutes, we have reviewed the activities of the Board of Public Accountancy (BOPA). As required by AS 44.66.050(a), the legislative committees of reference are to consider this report during the legislative oversight process involved in determining if the board should be reestablished. Currently, AS 08.03.010(c)(1) states that the board will terminate on June 30, 2005. If the legislature does not extend the termination date for the board, BOPA will have one year to conclude its administrative operations.

Objectives

The three central, interrelated objectives of our report are:

1. To determine if the termination date of the board should be extended.
2. To determine if the board is operating in the public interest.
3. To determine if the board has exercised appropriate regulatory oversight of certified public accountants.

The assessment of the operations and performance of the board was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relates to the determination of a demonstrated public need for the board.

Scope and Methodology

Another auditor at our direction, and under our supervision, conducted a majority of this review. We are satisfied that the contractor's work was competent and sufficient. The other auditor is subject to the licensing and regulatory oversight of the Board of Public Accountancy. However, neither the other auditor nor our agency is independent as to the licensing and oversight of the board. Government audit standards require that any time the auditor is not free both in fact and appearance from personal, external, or organizational impairments, the "...*impairment should be reported in the scope section of the audit report.*" This lack of independence is so noted.

Our audit reviewed the operations and activities of the Board of Public Accountancy for the period FY 01 through FY 04.

During the course of our examination, we reviewed and evaluated the following:

1. Compliance with statutes and regulations related to the certification of public accountants. Our evaluation addressed considerations of applications, testing of candidates, and continuing education necessary for a certified public accountant to maintain their license in good standing.
2. Minutes of meetings of the Board of Public Accountancy.
3. Annual reports issued by the board.
4. Complaints filed with the Division of Occupational Licensing.
5. The contract between the National Association of State Boards of Accounting, the American Institute of Certified Public Accountants, and a private corporation – Thomson Prometric related to the administration of the Uniform Certified Public Accountant Examination.
6. We also conducted interviews with employees of the Division of Occupational Licensing within the Department of Commerce, Community, and Economic Development.
7. We attended a teleconference of a subcommittee of the board charged with trying to arrange for additional testing sites in Alaska for CPA licensure applicants.
8. Other documents deemed pertinent.

ORGANIZATION AND FUNCTION

The Board of Public Accountancy is established under the authority of AS 08.04.010. The seven member board is appointed by the governor to four-year staggered terms.

Board Membership

Five of the members must be certified public accountants or public accountants currently licensed in the State of Alaska. Two members represent the general public. See the listing to the right for board members as of June 24, 2004.

The board is responsible for safeguarding the public interest by ensuring the competence and integrity of those who hold themselves out to the public as certified public accountants.

Board Duties

The board evaluates the qualifications of candidates, administers examinations, issues certificates and licenses to practice, promulgates rules of professional conduct, and takes disciplinary action.

The board charged by statute with granting a certificate of “Certified Public Accountant” (CPA) to individuals at least 19 years of age and of good moral character that:

1. Have satisfied the applicable education requirements;
2. Have passed written examination requirements; and,
3. Have provided evidence of satisfactory work experience.

The Department of Commerce, Community, and Economic Development, Division of Occupational Licensing

The Department of Commerce, Community, and Economic Development, Division of Occupational Licensing provides administrative and investigative assistance to the Board of Public Accountancy. Administrative assistance includes budgetary services and functions

Board of Public Accountancy

(As of June 24, 2004)

Professional Members

Steven R. Tarola, Chair, CPA
Marjorie J. Kaiser, CPA
Sandra R. Wilson, CPA
Dan F. Kennedy, CPA

Public Member

Laura Welles

such as collecting fees, maintaining files, receiving and issuing application forms, and publishing notices of examinations and meetings.

Alaska Statute 08.01.065, mandates the Department of Commerce, Community, and Economic Development, with the concurrence of the Board, adopt regulations to establish the amount and manner of payment of application fees, examination fees, license fees, registration fees, permit fees, investigation fees, and all other fees as appropriate for the occupations covered by the statute.

Alaska Statute 08.01.087 empowers the Division of Occupational Licensing (OccLic) with the authority to act on its own initiative or in response to a complaint. OccLic may:

1. Conduct an investigation if it appears a person is engaged or is about to engage in a prohibited professional practice.
2. Bring an action in Superior Court to enjoin the act.
3. Examine the books and records of an individual.
4. Issue subpoenas for the attendance of witnesses and records.

REPORT CONCLUSIONS

In our opinion, the termination date for the Board of Public Accountancy (BOPA) should be extended. The board is serving a public interest by operating in an effective manner in its licensing and regulation of certified public accountants and public accountants. The board is acting in the public interest by promoting the competence and integrity of those who hold themselves out to the public as certified public accountants (CPAs) or public accountants (PAs).

The board continues to make regulation changes, improving its effectiveness of monitoring CPAs and PAs licensed in the State of Alaska; making sure they are competent and capable of maintaining the integrity of the profession. The board is proactively attempting to restore testing sites to Juneau and Fairbanks for the Uniform Certified Public Accountant Examination – which have been closed with the implementation of a new testing process by the American Institute of Certified Public Accountants.

Alaska Statute 08.03.010(c)(1) requires the Board of Public Accountancy be terminated on June 30, 2005. Under AS 08.03.020, if the termination date is not extended by the legislature, the board will have a one-year period to administratively conclude its affairs. We recommend the legislature extend the board's termination date to June 30, 2009.

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FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

BOPA should continue to be proactive in providing better access to its primary licensing examination – the Uniform Certified Public Accountant Examination (CPA Exam).

In 2004, the manner in which the CPA Exam is administered in Alaska was changed. Previously, the examination was administered twice a year at a minimum of three testing sites typically located in Anchorage, Fairbanks, and Juneau. The examination spread over two and one-half days; although individuals, who passed previous segments, only had to sit for the parts they had yet to successfully pass.

In 2004, in conjunction with changes of format and structure that were made nationally by the American Institute of Certified Public Accounts (AICPA), the examination was changed to an all-computerized format that could be taken in whole or in parts up to three, and eventually four, times a year. By increasing the availability of the examination across the full year, access for applicants was improved. However, as the new testing regimen was implemented in Alaska, this improved access was offset to a large degree by the restriction in the number of available testing sites. Under the new testing regimen, applicants can only take the examination at one test site located in Anchorage.

Such circumstances make taking the examination much more expensive for applicants in the Interior and Southeast Alaska. Applicants from these regions must now travel to Anchorage, arrange for transportation and accommodations, in addition of having to pay a higher examination fee.

Administration of the examination is beyond the direct control of BOPA.

The board has reported, and we confirmed, that the current testing arrangements are beyond its direct control. The examination was in effect privatized, and the manner in which it is administered is subject to the necessity of a private sector corporation, Thomson Prometric, to make an operating profit.

The manner and number of locations involved with administration of the licensing examination are set under terms of a contract between Thomson Prometric,¹ the National

¹ Thomson Prometric is a subsidiary of the Thomson Corporation which states on its website that it is a “leading global provider of integrated information solutions to business and professional customers.” One of the more recognizable “brand names” of the Thomson Corporation is Westlaw, publisher and provider of legal and regulatory research information.

Association of State Boards of Accounting (NASBA),² and the AICPA. Under the contract, Prometric is only required to provide a minimum of one testing site in Alaska. Prometric reports that setup costs involved in providing necessary electronic security over the examination to meet AICPA standards,³ along with operating costs involved with keeping a testing site open throughout the year, make it cost-prohibitive to have more sites in a state such as Alaska – given the level of demand statewide for taking the CPA Exam. From Prometric’s perspective, there is just not enough volume to provide them with a profit from opening additional test sites.

According to the BOPA, it took NASBA intervention with AICPA and Prometric to maintain at least one testing site in Alaska.⁴ Essentially, the AICPA has turned the availability of the CPA Exam into a profit-driven decision. The result, particularly in Alaska, has been to develop a restrictive practice that may unduly limit access to the profession which could be adverse to the public interest if the supply of CPAs become restricted.

BOPA has been proactive to make the CPA Exam available at more test sites in Alaska.

BOPA has adopted a resolution requesting that more testing sites be made available in Alaska for the CPA Exam. BOPA is actively working with NASBA, negotiating on the board’s behalf, to modify the existing contract to provide for more test sites. The board, representatives of the University of Alaska, the state professional society, CPA firms – as well as individual CPAs – recognized the problems involved with having only one test site in Alaska. Individually, and in tandem, some of these groups have been trying to work with NASBA and Prometric to set up an additional testing site.

A central tenet of occupational licensing is that regulatory boards for given professions primarily exist to provide public and consumer protection without unduly restricting or limiting entry into the regulated profession. Accordingly, the board must continue to be proactive, and NASBA should be proactive with the AICPA, to be sure the licensing procedures conform with the public policy objectives of occupational regulation and oversight.

² NASBA represents 54 boards of accounting throughout the United States and its possessions. The organization includes accounting licensing board from 49 states, the Illinois board of examiners (which determines who may sit for the CPA examination), and the Illinois Public Accountant Registration Committee (which determines who is licensed to be a CPA), the District of Columbia, Virgin Islands, and Guam.

³ In correspondence with us, the BOPA chair comments that the CPA exam is “*the most secure exam of any professional exam and its passage is renowned and sought after worldwide.*”

⁴ In correspondence with us, the BOPA chair observed there are “*a half dozen other states including Hawaii, Montana, and Idaho who have only one test site where long distances must be traveled. No state has been successful in getting Prometric to increase testing sites where they did fit the profitability clauses in [the contract between NASBA, Prometrics, and the AICPA].*”

A **ANALYSIS OF PUBLIC NEED** **D**

The following analyses of board activities relate to the public need factors defined in AS 44.66.050(c). These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

The extent to which the board, commission, or program has operated in the public interest.

As discussed in Recommendation No. 1, BOPA implemented a testing procedure for its primary licensing examination – the Uniform CPA Examination. The new examination is a 14-hour test divided into four sections: Auditing and Attestation; Financial Accounting and Reporting; Regulation; and, Business Environment and Concepts.

The computer-based Uniform CPA Examination is offered the first two months of each calendar quarter. Subject to availability of test site capacity, applicants can now take examinations four times in a calendar year as opposed to the previous twice-a-year schedule. This makes taking the examination more accessible to individuals seeking licensure as a CPA by examination.

In Alaska, this advantage is offset to a large degree by having the testing site limited to one location within the State. The board's actions and options regarding this area are discussed further in Recommendation No. 1 of this letter.

Additionally, in response to national concern over ethics violations by Certified Public Accountants, the board unanimously supported regulation changes that would require four hours of continuing professional education in ethics during the preceding 24 months for license renewal.

The board also put in place regulations mandating a peer review process for practitioners who issue audits and various other attestation services. Such a requirement installs a quality control mechanism on auditing firms and practitioners that should contribute to higher audit integrity by the state's CPAs.

The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters.

As discussed in Recommendation No. 1, although the adoption of the new computer-based CPA examination provided greater accessibility for applicants seeking licensure by examination by making the examination available up to four times a year, the current

restriction to a single testing site in Anchorage limits the accessibility of individuals in Interior and Southeast Alaska due to the expense involved of getting to, and staying at, the Anchorage test site.

Alaska Statute 08.01.065(c) states, “...that the total amount of fees collected for an occupation approximately equals the actual regulatory costs for the occupation.” As shown in the financial schedule below, BOPA is in a surplus situation at the end of FY 04 and fees appear to appropriately cover the board’s projected FY 05 operating costs.

Licensing and renewal fees for licensees were increased in fiscal year 2000 from \$180 to \$220. This increase was necessary at the time to ensure the deficit was repaid and the total fees collected approximated the overall regulatory costs for the occupation. Based upon our analysis of the summary schedule on the following page, BOPA licensing fees are adequate in order to cover the regulatory costs of the profession.

| State of Alaska Board of Public Accountancy FY 02 - FY 04 Schedule of License Revenues and Board Expenditures (Unaudited) | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| | <u>FY 04</u> | <u>FY 03</u> | <u>FY 02</u> |
| Revenue | \$ <u>301,200</u> | \$ <u>119,800</u> | \$ <u>320,300</u> |
| Direct Expenditures | | | |
| Personal Services | 51,600 | 37,600 | 40,000 |
| Travel | 19,500 | 26,900 | 20,600 |
| Contractual | 54,900 | 80,000 | 73,900 |
| Supplies | <u>100</u> | <u>200</u> | <u>100</u> |
| Total Direct Expenditures | 126,100 | 144,700 | 134,600 |
| Indirect Expenditures | <u>68,200</u> | <u>62,500</u> | <u>46,700</u> |
| Total Expenditures | 194,300 | 207,200 | 181,300 |
| Net Income (Loss) | <u>106,900</u> | <u>(87,400)</u> | <u>139,000</u> |
| Beginning Cumulative Surplus (Deficit) | 84,200 | 171,600 | 32,600 |
| Ending Cumulative Surplus (Deficit) | \$ <u>191,100</u> | \$ <u>84,200</u> | \$ <u>171,600</u> |

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

The board testified in favor of 2003 legislation relating to the examination process. Such legislation was necessary in order for the State to implement the new computer-based Uniform CPA Examination process. While change in the examination process doubles the number of opportunities an applicant has to test in one year, this advantage is offset by having only one test site available in Alaska. For further discussion, see Recommendation No. 1 of this letter.

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 that it has provided.

The location, date, and time of upcoming board meetings and notices of proposed changes in regulations are published in the *Anchorage Daily News*, the board's internet website and the State's on-line public notice internet website. The State also offers a subscription service whereby the State will e-mail the subscriber requested public notices.

The board's meeting agendas consistently set aside time for the board to take public comment. Minutes from the meetings of the board reflect public participation throughout the meeting. Proposed regulations are often circulated to those affected by the proposed regulations through professional trade journals, public notice advertisement, or direct mail correspondence from the Division of Occupational Licensing (OccLic).

The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

Public notices of proposed regulations are published in major newspapers. Overall, meetings are adequately advertised and time is set aside for public testimony.

Major proposed regulation changes were circulated throughout the professional community by either direct-response mailing to the affected license holders or providing the proposed changes to the State's accounting organizations. Feedback resulted in changes to the proposed regulations addressing the profession's concerns. The Alaska Society of Certified Public Accountants has requested the board's support for legislation sought by the Society.

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 a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved.

In the 35-month period between July 1, 2001 and late May 2004, OccLic's investigative section conducted 25 investigations involving complaints related to licensees, or applicants for licensure, of BOPA. Five investigations originated from complaints made by CPA clients, while another three complaints were received from the general public. The remaining 17 complaints stemmed from internal OccLic application and renewal procedures. All complaints were ranked as a low priority by OccLic's investigation section.

In June 2004, 13, or just over half, of the complaints were still open. Six of those 13 complaints had been opened for longer than 120 days. We reviewed five of these six complaints in detail. Four of the five complaints had no evidence of having any investigative activity for the last 90 days. Based on our review, we concluded the public inquiries and complaints regarding BOPA activities were not being resolved efficiently.

Efficiency issues related to investigations are being evaluated in another audit report. This report addresses the history, and evaluates the effectiveness, of the State's overall sunset process.

No complaints or investigations specifically involving the actions and activities of BOPA were received, or undertaken by, either the Office of the Ombudsman or the Office of Victim's Rights within the past three fiscal years.

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.

We did not find any evidence that the board was not complying with state personnel practices, including affirmative action in qualifying applicants. In no instance did the board deny an applicant a license based on personal attributes.

The extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public.

The application process for licensing, followed by BOPA's OccLic staff, appears reasonable and appropriate. The board relies on a national exam for testing of qualified applicants. Additional educational requirements and experience hours are also required before an

applicant can be approved for licensure. After the initial licensing period, continuing education is required and adequately monitored by the board.

Listed below is a summary of new licenses and permits issued by the board for the period under review. This information was compiled from annual reports issued by the board.

| New Permits Issued (Exclusive of Renewals) | FY01 | FY02 | FY03 | FY 04 | Current Licenses (as of June 30, 2004) |
|------------------------------------------------------------------------|-------------|-------------|-------------|--------------|---------------------------------------------------|
| Certified Public Accountants | 58 | 50 | 35 | 69 | 831 |
| Resident Partnerships, Corporations and Limited Liability Companies | 8 | 6 | 3 | 5 | 82 |
| Nonresident General Permits | 3 | 6 | 8 | 11 | 32 |

The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board, or commission to better serve the interest of the public and to comply with the factors enumerated in AS 44.66.050.

The board, with the assistance of AICPA and NASBA, has recognized the need to evaluate and explore implementation of a “substantial equivalency” concept to simplify the licensing of applicants from other jurisdictions by reciprocity. This will allow Certified Public Accountants to practice across state lines in states that meet Uniform Accountancy Act Standards.

Nationally, the public accounting profession continually considers issues that may have an impact on industry standards. The board continues to be active in addressing these issues ensuring certified public accountants licensed in the State of Alaska are represented.

BOPA believes that, to effectively address these issues and serve the best interest of the public, it is essential for participation and attendance to be encouraged at National forums sponsored by the AICPA and NASBA. Travel costs for board members have been restricted in recent years. This has led board members to seek financial support from other sources enabling them to travel to national conferences regarding the licensing of CPAs. Participation in nationwide issues should be a primary responsibility of the Board of Public Accountancy.



OFFICE OF THE COMMISSIONER

Frank H. Murkowski, Governor

December 30, 2004

Pat Davidson
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811

RE: Board of Public Accountancy

Dear Ms. Davidson:

We appreciate the opportunity to review and comment on the Board of Public Accountancy (BOPA) Preliminary Audit Report.

Our response to the Findings and Recommendation is noted below:

Recommendation No. 1:

BOPA should continue to be proactive in providing better access to its primary licensing examination – the Uniform Certified Public Accountant Examination (CPA Exam).

The analysis you have provided regarding the computerized exam process and single exam location coincides with the department's understanding of the exam site availability.

We concur with your statement that *"A central tenet of occupational licensing is that regulatory boards for given professions primarily exist to provide public and consumer protection without unduly restricting or limiting entry into the regulated profession."*

Many of Alaska's licensing professions utilize national exams which, in recent years, have become computerized. We see the same dilemma facing CPA exam candidates being shared by licensees in other professions. The benefits of use of nationally recognized exams may ultimately outweigh the hardships created for candidates who must travel to the one Alaska exam site. If Alaska professions were to develop state examinations in lieu of the national exams, reciprocity to other jurisdictions would likely be compromised.

It is our understanding the BOPA continues to work with AICPA, NASBA and Thomson Prometric to establish an additional testing site in Fairbanks. In fact, the BOPA is relatively certain it has secured a testing site in Fairbanks that meets the security requirements of the testing service.

Also, the BOPA is revisiting the option of utilizing CPA Examination Services (a NASBA owned service) for the processing of CPA exam applications and administration of the CPA examination.

Other:

Lastly, we recognize the Board strongly supports attendance at national conferences/meetings related to the profession. In the past three years, six out-of-state travel authorizations have been provided to the Board for attendance at these forums.

Again, we appreciate the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Edgar Blatchford". The signature is written in a cursive, slightly slanted style.

Edgar Blatchford
Commissioner

cc: Rick Urion, Director
Occupational Licensing

Steven R. Tarola, CPA
P.O. Box 2074, Homer, Alaska 99603
907-235-3610 (Home/Fax) 907-399-3393 (Cell Phone) starola@xyz.net (E-mail)

December 21, 2004

Pat Davidson, CPA, Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
P.O. Box 113300
Juneau, Alaska 99811-3300

Dear Ms. Davidson:

Thank you for giving me the chance to respond to the Preliminary Report of the Sunset Review of the Department of Commerce, Community, and Economic Development, Board of Public Accountancy, October 25, 2004.

I am pleased to see that you are recommending that the termination date for the Board of Public Accountancy (BOPA) should be extended. I concur with your findings and recommendation regarding the Uniform Certified Public Accountant Examination (CPA Exam) as well as the rest of the Report.

It is unfortunate that the change to the computerized CPA Exam restricted access and increased expense for rural applicants in Alaska. There are, however, new rules under the computerized exam which provide some significant benefits to applicants. These are as follows:

- Applicants no longer have to take all un-passed sections of the exam each time they sit, which saves exam re-take costs and allows them to concentrate on individual sections.
- Applicants are able to condition (keep) any single passed exam section rather than having to initially pass two sections in order to condition under the written exam.
- Pass rates have increased dramatically under the computerized exam, which allows some applicants to save costs by not having to sit for the exam as many times as required under the written exam.

- Applicants now have flexibility to schedule the timing of the exam to fit their situation, while under the written exam the test was given only twice a year on specific dates.
- Applicants may take the exam at any testing center they chose in the United States, Guam, Puerto Rico, or the U.S. Virgin Islands.
- Applicants are able to take the exam in a medium they are familiar with rather than paper and pencil.

Please let me know if you have any questions.

Respectfully yours,



Steven R. Tarola, Chair
Alaska Board of Public Accountancy