

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@legis.state.ak.us

SUMMARY OF: A Sunset Review of the Department of Commerce, Community, and Economic Development (DCCED), Board of Public Accountancy (BPA or board), June 1, 2012

PURPOSE OF THE REPORT

In accordance with Title 24 and Title 44 of the Alaska Statutes (sunset legislation), we have reviewed BPA activities. The purpose of this audit was to determine if there is a demonstrated public need for the board's continued existence and if it has been operating effectively. Alaska Statute 08.03.010(c)(1) states the board will terminate on June 30, 2013. As required by AS 44.66.050(a), this report shall be considered by the committee of reference during the legislative oversight process in determining whether BPA should be reestablished. Our audit objectives were as follows.

1. Determine if the board's termination date should be extended.
2. Determine if the board is operating in the public's interest.
3. Determine if the board has exercised appropriate, regulatory oversight of certified public accountants (CPA) and licensed public accounting firms.
4. Provide a current status of recommendations made in prior board-related audits.

REPORT CONCLUSIONS

In our opinion, the board's termination date should be extended. BPA is serving the public's interest by effectively licensing and regulating CPAs. The board is also serving the public's interest by monitoring the profession and ensuring only qualified individuals practice as CPAs.

BPA is proactive in shaping the future of the accounting profession through member participation on national committees which set professional standards. Furthermore, the board successfully developed and adopted regulatory changes to improve the public accountancy profession in Alaska.

The board is scheduled to terminate June 30, 2013. If no action is taken by the legislature, BPA will have one year from that date to conclude its administrative operations. We recommend the board's termination date be extended eight years to June 30, 2021.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Division of Corporations, Business and Professional Licensing (division) director should continue to address deficiencies in the investigative case management system.

The division has taken steps to address previously noted findings; however, deficiencies in the case management system remain. A review of BPA cases found key information, such as priority codes, case open dates, and resolution codes, was missing from the case management system. Additionally, two cases were listed as open on the system for over a year beyond their actual closure dates. The noted deficiencies hamper the division's ability to provide adequate investigative support to the board.

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Juneau, AK 99811-3300
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October 16, 2012

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Public Accountancy (board) and the attached report is submitted for your review.

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

June 1, 2012

Audit Control Number
08-20077-12

The audit was conducted as required by AS 44.66.050 and under the authority of AS 24.20.271(1). If not extended by the legislature, the board is required to terminate on June 30, 2013. Under AS 08.03.020(a), the board will have a one-year period to administratively conclude its affairs.

In our opinion, the board's termination date should be extended. The board is serving the public's interest by effectively licensing and regulating certified public accountants (CPA). We recommend the board's termination date be extended eight years to June 30, 2021.

Article IX, Section 14 of the Alaska Constitution, requires that the legislative auditor be a CPA. Likewise, the professional staff at the Division of Legislative Audit is either licensed or pursuing CPA licensure. 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.

Except for the independence standard discussed above, the audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a

reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork procedures utilized in the course of developing the conclusions, findings, and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.



Kris Curtis, CPA, CISA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 and 44 of the Alaska Statutes, we have reviewed the activities of the Board of Public Accountancy (BPA or board) to determine if there is a demonstrated public need for its continued existence and if it has been operating in an efficient and effective manner.

As required by AS 44.66.050(a), this report shall be considered by the committee of reference during the legislative oversight process in determining whether the board should be reestablished. Currently, under AS 08.03.010(c)(1), the board will terminate on June 30, 2013, and will have one year from that date to conclude its administrative operations.

Objectives

The four, central, interrelated, audit objectives were:

1. Determine if the board's termination date should be extended.
2. Determine if the board is operating in the public's interest.
3. Determine if the board has exercised appropriate, regulatory oversight of certified public accountants (CPA) and licensed public accounting firms.
4. Provide a current status of recommendations made in prior board-related audits.

The assessment of the board's operations and performance was based on criteria set out in AS 44.66.050(c). These criteria relate to the determination of a demonstrated public need for the board's continued existence.

Scope

The audit evaluated the board's operations and activities for the period July 1, 2009, through April 23, 2012.

Methodology

The major audit areas were: board proceedings, licensing, complaint investigations, and duplication of efforts as compared to other state and/or federal agencies. To gain an understanding of the board's operations and activities, we examined and evaluated:

- Applicable state public accountancy statutes and regulations to identify board functions and responsibilities including board member composition and their required qualifications. We also identified additions, deletions, and changes to board statutes and regulations to evaluate BPA actions during the audit period and the effect on

board operations.

- Division of Corporations, Business and Professional Licensing (DCBPL or division) policies and procedures related to supporting board activities to assess compliance with regulations.
- Meeting minutes and annual reports issued by the board to gain an understanding of board proceedings and activities as well as the nature and extent of public input. Additionally, we evaluated the reported information for compliance with applicable statutes, regulations, and DCBPL policy.
- Public notice documentation to ascertain whether public notice for BPA meetings and proposed regulation changes were published as required by statute.
- The contract with the National Association of State Boards of Accountancy for exam candidates. As part of the contract evaluation, we determined whether verification services for an applicant's eligibility to take the national CPA exam met state statutes and regulatory requirements.
- Audits related to the board or division to identify and follow-up on previous and existing issues affecting the board. The following audits contained pertinent findings and recommendations:
 - *Department of Commerce, Community, and Economic Development, Board of Public Accountancy, December 1, 2008, Audit Control Number 08-20056-09; and*
 - *Department of Commerce, Community, and Economic Development; Division of Corporations, Business and Professional Licensing; Select Occupational Licensing and Enforcement Issues, June 29, 2011, Audit Control Number 08-30063-11.*
- Various state and national organization websites containing public accountancy information for potential duplication of and effect on board activities.
- Files and documentation related to individuals licensed as CPAs and licensed public accounting firms to ensure they met statute and regulatory requirements.
- Departmental budget and cost allocation documents related to indirect costs allocated to the division's occupational boards.
- CPA exam candidates' feedback to determine if identified exam testing site problems were adequately addressed by the board.

- Complaints regarding public accountants and license applicants. We evaluated file documentation to assess the timeliness of the investigative process and compliance with the division's investigative procedures. We also inquired of the following organizations to determine if any complaints were filed against the board or its licensees:
 - The Department of Commerce, Community, and Economic Development's Commissioner's Office;
 - The Office of the Ombudsman;
 - The Office of Victims' Rights;
 - The Department of Administration's Division of Personnel and Labor Relations; and
 - The United States Equal Employment Opportunity Commission.

We also interviewed state agency staff, board members, and members of Alaskan accounting societies to identify and evaluate the various issues relating to board activities. Specific issues of inquiry included board operations, division support, duplication of efforts, and proposed regulatory changes affecting CPA exam candidates.

We also assessed the internal control procedures related to various objectives of the audit, including licensing, investigations, and board proceedings.

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ORGANIZATION AND FUNCTION

Board of Public Accountancy

The Board of Public Accountancy (BPA or board) is established under the authority of AS 08.04.010, and is comprised of seven members who are appointed by the governor to staggered, four-year terms. Board membership consists of five certified public accountants (CPA) who must be currently licensed in the State of Alaska, and two public members who must be independent from the influence of a CPA. All members must be Alaska residents for at least one year at the time of appointment. Board members, as of June 2012, are listed in Exhibit 1.

The board may issue licenses to individuals who meet the standards of education, pass the national CPA exam, or meet reciprocity requirements as required in statute. The board also licenses public accounting firms. Additionally, the board monitors continuing education and other statutory requirements for license renewals.

Alaska Statutes 08.04.025-.105 define BPA's scope of functions. These statutes authorize the following.

1. The board may adopt and amend procedural and substantive regulations for the orderly conduct of board operations.
2. The board may adopt rules of professional conduct for public accountants, evaluate the appropriateness of accountants' qualifications for licensure, and impose appropriate disciplinary sanctions on a licensee.
3. The board grants "*Certified Public Accountant*" certificates to qualified individuals.
4. The board is authorized to designate an executive secretary to carry out BPA's administrative operations and to represent BPA at national professional events. The executive secretary is a Division of Corporations, Business and Occupational Licensing (DCBPL or division) employee.
5. The board must meet at least four times annually.

Exhibit 1

**Board of Public Accountancy
Members
As of June 30, 2012**

Jeffrey Johnson, CPA
Chair

Elaine Williamson, CPA
Secretary/Treasurer

Carla Bassler, CPA

Karen Brewer-Tarver, CPA

Kathleen Thompson, CPA

Andre Horton
Public Member

Wayne Don
Public Member

Department of Commerce, Community, and Economic Development

Alaska Statute 08.01.065 mandates that the Department of Commerce, Community, and Economic Development (department) adopt regulations to establish the fee amount and payment methods for applications, examinations, licenses, registrations, permits, investigations, and all other fees as appropriate for the occupations covered by the statute.

Within the department, DCBPL provides administrative and investigative assistance to occupational boards. The assistance includes receiving and issuing applications and publishing proposed regulations and meeting notices.

Alaska Statute 08.01.087 empowers the department to act on its own initiative or in response to a complaint. The division may:

1. Conduct an investigation if it appears a person is engaged in or is about to engage in a prohibited professional practice.
2. Issue an order directing the person to stop an act or practice.
3. Bring an action in superior court to enjoin the act.
4. Examine individuals' books and records.
5. Issue subpoenas for the attendance of witnesses and records.

On behalf of the board, a division investigator conducts investigations of complaints from CPA clients, the public, other CPAs, licensing examiners, or other state or federal agencies.

REPORT CONCLUSIONS

In our opinion, the Board of Public Accountancy's (BPA or board) termination date should be extended. The board is serving the public's interest by effectively licensing and regulating certified public accountants (CPA). Moreover, the board is serving the public's interest by monitoring the profession and ensuring that only qualified individuals practice as CPAs.

BPA is proactive in shaping the future of the accounting profession through member participation on national professional committees which set professional standards. Furthermore, the board successfully developed and adopted regulatory changes to improve the public accountancy profession in Alaska.

In accordance with AS 08.03.010(c)(1), the board is scheduled to terminate June 30, 2013. We recommend the board's termination date be extended to June 30, 2021.

The Department of Commerce, Community, and Economic Development's Division of Corporations, Business and Professional Licensing (DCBPL or division) and the board have made progress in addressing prior audit recommendations. However, more improvement is needed. Three recommendations for improvement are included in the Findings and Recommendations section of this report. The status of the findings from prior board-related audits are summarized below.

The division improved the allocation of division indirect costs to occupational licensing boards.

A special audit of DCBPL, dated June 2011,¹ recommended the division improve its methodology for allocating division indirect costs. The division had charged 100 percent of its indirect expenses to the professional licensing cost pool rather than allocating costs between the professional licensing cost pool and the corporations and business licensing cost pool. This resulted in the over-allocation of divisional indirect costs to occupational boards.

This finding has been resolved. The division revised its indirect cost allocation methodology to correct noted deficiencies. The revised methodology appropriately allocates division indirect costs to both cost pools based on full time equivalent positions.

To facilitate correcting the fiscal impact of prior allocation errors, the division received an FY 12 \$3.4 million supplemental appropriation. Using financial data from the state accounting system and DCBPL position counts, the division restated the schedule of

¹*Department of Commerce, Community, and Economic Development; Division of Corporations, Business and Professional Licensing; Select Occupational Licensing and Enforcement Issues, June 29, 2011, Audit Control Number 08-30063-11.*

revenues and expenditures for all occupational boards back to FY 00 using the revised allocation methodology. The supplemental appropriation was used to eliminate occupational board deficits resulting from the incorrect allocation methodology. The revenue and expenditure schedule presented in Exhibit 2 (page 12) reflects the board's restated financial activity for the period FY 09 through FY 12.

Deficiencies in the division's investigative case management system have not been addressed.

The special audit of DCBPL also recommended improvements to address inaccurate and incomplete investigative data maintained in the new investigative case management system. Although the division has taken corrective steps, the issue is not fully resolved and continues to be a finding in this audit. (See Recommendation No. 1.)

FINDINGS AND RECOMMENDATIONS

The Board of Public Accountancy's (BPA or board) prior sunset review, dated December 2008, made three recommendations to address board member vacancies, excess cumulative surplus, and an ineffective case management system. Two of the three recommendations have been resolved. The vacant BPA member positions were filled, and the board did not experience extended vacancies during FY 09 through FY 12. Furthermore, the board addressed its cumulative surplus by reviewing its projected funding needs to determine if a reduction of fees was warranted. It was determined that a decrease in fees was not prudent since additional expenditures were anticipated for a new executive secretary position.

The prior recommendation to implement a more effective case management system has not been fully resolved. The Division of Corporations, Business and Professional Licensing (DCBPL or division) did implement a new case management system; however, due to problems with system design and data conversion, information contained on the new system is not reliable. (See Recommendation No. 1.)

Recommendation No. 1

DCBPL's director should continue to address deficiencies in the investigative case management system.

Prior Findings

The prior sunset review cited staff turnover as the cause of significant inattention to board investigative cases. The review recommended the division obtain a priority case tracking system that reports to investigators and supervisors when an investigative case has been dormant for a certain time period. This would provide supervisors with a tool to ensure high priority cases were pursued in a timely manner.

In June 2010, the division implemented a new investigative case management system to manage complaints against corporations, businesses, and professionals licensed in Alaska. The conversion from the old system to the new led to significant problems.² These included:

- Incomplete and inconsistent data was brought forward from the old database to the new database without review and correction.
- Not all complaint records transferred to the new system.

²This issue was identified in the special audit, *Department of Commerce, Community, and Economic Development; Division of Corporations, Business and Professional Licensing; Select Occupational Licensing and Enforcement Issues, June 29, 2011, Audit Control Number 08-30063-11.*

- Data fields were not properly aligned and linked from the old system to new one.
- The status of some converted data changed (i.e. from closed to open).

Additionally, ongoing deficiencies were found to exist with the new case management system regarding inadequate data entry and case record maintenance. The deficiencies were caused by lack of training, inadequate system design, and lack of review.

Legislative Audit's Current Status

Deficiencies in the case management system remain. We examined 15 of the 59 board investigative cases that were active between FY 09 through FY 12. Information maintained on the system was examined for completeness and evaluated for accuracy by comparing the information to the data maintained in the corresponding hard copy case files. Of the 15 cases examined, ten were missing key information in the case management system. Missing information included details such as priority codes, case open dates, and resolution codes. Additionally, two of the 15 cases were listed as open for over a year beyond their closure dates.

The duty to investigate occupational licensing complaints is statutorily assigned to DCBPL. The efficiency to which complaints are investigated is one of the evaluation criteria used in the sunset legislative oversight process. Specifically, AS 44.66.050(c)(6) requires examining:

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.

The noted deficiencies in the investigative case management system hamper the division's ability to provide adequate investigative support to the board.

DCBPL has taken steps to address the deficiencies. A task force comprised of investigative staff and IT professionals was formed to identify weaknesses and propose solutions. In the spring of 2012, the division developed procedures for investigative data input and provided staff training on the new case management system. The division anticipates actively implementing planned corrective action throughout FY 13.

We recommend DCBPL's director continue to address the deficiencies in its investigative case management system.

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

The following analyses of the Board of Public Accountancy's (BPA or board) activities relate to the public need factors defined in AS 44.66.050(c). This analysis is not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

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

The board has operated in the public's interest by ensuring that only qualified individuals are licensed as certified public accountants (CPA). Licensing and regulating public accountants promotes reliable financial information and confidence in financial assessments. As of June 30, 2012, there were 1,203 individually licensed CPAs, partnerships, corporations, and out-of-state CPA licensees permitted to operate in Alaska. (See Exhibit 3 on page 14.)

During the 27th legislative session ending in April 2012, the board testified in opposition of Senate Bill 98, a privacy bill related to the collection of an individual's biometric data.³ With few exceptions, the bill allowed an individual to refuse the capture and use of their biometric data. The board testified that passage of the bill could prevent the CPA exam from being offered in-state since the collection of biometric information for security purposes is a national requirement. Travel costs necessary to take the CPA exam out of state would create a financial barrier for individuals seeking licensure in Alaska. Senate Bill 98 failed to pass.

Determine 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.

The board's revenue is derived from exam application fees, licensing fees, and renewal fees. License renewals are required biennially, creating a two-year cycle in which most revenues are received in even-numbered fiscal years. A schedule of board revenues and expenditures for the period FY 09 through FY 12 is presented in Exhibit 2 (following page). The amounts in Exhibit 2 were provided by Division of Corporations, Business and Professional Licensing (DCBPL or division) management and reflect the division's restatement of occupational board financial activity. The division restated all occupational board financial activity to adjust for the over allocation of DCBPL indirect costs to all occupational boards identified by a 2011 special audit.

³Biometric data is defined as "Data that is used in a biometric system for fingerprint recognition, hand geometry recognition, finger geometry recognition, voice recognition, facial recognition, iris scans, retinal scans or palm vein."

Our review of the indirect costs allocated to the board found the division’s revised indirect cost methodology was reasonable and has addressed the previously identified deficiencies. Except for our evaluation of indirect costs allocation, we did not audit the information in Exhibit 2. The summary schedule is provided for general informational purposes.

Exhibit 2

State of Alaska Board of Public Accountancy Restated Schedule of Revenues and Expenditures³ FY 09 through FY 12 (Unaudited)				
	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>
Revenue	\$ 39,951	\$ 296,190	\$ 29,269	\$ 299,765
Direct Expenses:				
Personal Services	48,267	60,964	62,834	73,887
Travel	36,521	34,330	19,596	26,156
Contractual	29,851	37,083	10,522	11,035
Supplies	338	1,688	813	241
Total Direct Expenses	<u>114,977</u>	<u>134,065</u>	<u>93,765</u>	<u>111,319</u>
Indirect Expenses	<u>50,477</u>	<u>62,965</u>	<u>61,825</u>	<u>93,572</u>
Total Expenses	<u>165,454</u>	<u>197,030</u>	<u>155,590</u>	<u>204,891</u>
Annual Surplus (Deficit)	<u>(125,503)</u>	<u>99,160</u>	<u>(126,321)</u>	<u>94,874</u>
Beginning Cumulative:				
Surplus (Deficit)	<u>202,287</u>	<u>76,784</u>	<u>175,944</u>	<u>49,623</u>
Ending Cumulative:				
Surplus (Deficit)	<u>\$ 76,784</u>	<u>\$ 175,944</u>	<u>\$ 49,623</u>	<u>\$ 144,497</u>

Source: DCBPL Management

Alaska Statute 08.01.065(c) requires “that the total amount of fees collected for an occupation approximately equals the actual regulatory costs for the occupation.” The adequacy of fee levels has not been a factor in the board’s effectiveness. As shown in Exhibit 2, BPA began FY 09 with a financial surplus. Board fees were not changed during the audit period. The board maintained the continuing surplus to cover anticipated costs for the board executive secretary position that was approved by the legislature in FY 10 but was not filled until April 2012.

⁴This schedule reflects the board’s restated financial activity as discussed in the Report Conclusion section of this letter.

Board operations have been impeded by the division's investigative support. The board is routinely provided investigative data from the case management system to be used in board decision making. However, deficiencies in the division's investigative case management system make the data unreliable. Board operations would benefit from more accurate investigative data. (See Recommendation No. 1.)

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

The board continues to promote changes to statutes and regulations as deemed necessary to improve regulation of the profession and benefit the public's interest. The board supported statutory changes that altered the mandatory composition of CPA firm ownership. Previously, CPA firms were required to be entirely owned by CPAs. Statutes now require a CPA ownership percentage of at least 51 percent. This change allows CPA firms to attract non-CPAs with diverse expertise to better address the needs of their clients.

The board also supported statutory changes to make improvements for nonresident CPAs operating in Alaska. The changes align Alaska's requirements with other states' and require nonresident CPAs to comply with Alaska law when practicing in Alaska. Furthermore, BPA supported statutory language which created a dedicated executive secretary position to assist with the board's administrative duties. The new position was necessary to absorb the increased workload resulting from national changes to the profession.

Determine 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 board published proposed regulatory changes on the State's Online Public Notice System. The board also reviewed and considered public comments before adopting new regulations.

The board has encouraged public participation and designated a public comment period in regular board meeting agendas. During FY 09 through FY 12, interested individuals offered comments at all 14 regular meetings.

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

The board posted notice of proposed regulatory changes on the State's Online Public Notice System and in the *Anchorage Daily News*. Detailed instructions were included in the postings for submitting public comments. From FY 09 through FY 12, the public provided input during regular board meetings. The board reviewed and considered public comments before

adopting new regulations.

Determine 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.

From July 2008 through April 2012, 59 cases relating to CPA licensees and license applicants were processed. As of June 30, 2012, all but two of the 59 cases were closed. However, due to errors that occurred during the conversion to the new case management information system and a lack of adherence to established procedures, reliable summary statistics of investigative cases are not available.

Fifteen of the 59 cases were examined as part of this audit. Ten of the 15 cases were missing key information in the case management system when compared to the corresponding hardcopy files. Missing information included details such as priority codes, case open dates, and resolution codes. Additionally, two of the 15 cases were listed as open for over a year beyond their closure dates. The noted deficiencies in the investigative case management system hamper the division's ability to provide adequate investigative support to occupational boards. (See Recommendation No. 1.)

One DCBPL-related complaint concerning responsiveness to requests for information was filed with the State's Office of the Ombudsman and was resolved within a few days. There were no board complaints filed with the Office of Victims' Rights.

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

Exhibit 3 shows the number of active board licensees as of June 30, 2012.

Exhibit 3

Schedule of Public Accountancy Licensees as of June 30, 2012					
New Licenses Issued (Excluding Renewals)					
	FY 09	FY 10	FY 11	FY 12	Total Current
Certified Public Accountant	61	64	46	66	1,020
Out-of-State Permit	8	14	14	16	89
Limited Liability Company Corporation	-	4	2	4	26
Partnership	1	7	4	4	62
	-	-	-	-	6
Total	70	89	66	90	1,203

In general, the application process and required support for examination and licensing is reasonable and appropriate. Applicants for licensure must first pass the uniform CPA exam or meet reciprocity requirements. The board contracts with the National State Board of Accountancy (NASBA) to process CPA applications including the determination of whether an applicant meets the State's requirements for taking the CPA exam. Each applicant is required to satisfy education and experience requirements. No issues were identified with NASBA's board-delegated responsibility for examinations or the division's issuance of new and renewed licenses.

Review of the board's license renewal process found changes were needed to improve division licensing staff's ability to follow-up on potential application discrepancies. Specifically, revisions to the renewal forms and modifications to the licensing database would facilitate follow-up.

The board's previous sunset review identified a continuing need for the board to consider pursuing a CPA exam test site located in Southeast Alaska. Candidates from that region must incur additional travel costs to take the exam. No consideration of this issue was made by the board during the audit period. In recognition that a test site must be economically feasible to administer, the board should periodically reconsider the issue since improved technology or other developments may change the economics of administering an additional test site.

Determine 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.

No evidence was found to indicate the board did not comply with state personnel practices, including affirmative action, throughout the audit period.

Determine the extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board, or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

The board depends on reliable investigative case information to perform its functions and serve the public's interest effectively and efficiently. As discussed in Recommendation No. 1, data from the new case management system is not reliable. Deficiencies in the investigative case management system hamper the division's ability to provide adequate investigative support to occupational boards.

A review of public notices issued for board meetings identified that the board did not meet its notice requirements for teleconference meetings. Board regulations require a 30-day public notice. Of the 16 board meetings held from FY 09 through FY 12, a sample of five was reviewed for notice requirements: three regular meetings and two teleconference meetings. The three regular meetings were properly noticed; the two teleconference meetings were

publicly noticed at nine and 13 days. The board should ensure that all meetings comply with the 30-day regulatory requirement for public notice.

Determine the extent to which the board, commission, or agency has effectively attained its objectives and purposes and the efficiency with which the board, commission, or agency has operated.

The board successfully met its goals and objectives in an efficient manner as supported by annual reports and meeting minutes.

Determine the extent to which the board, commission, or agency duplicates the activities of another governmental agency or the private sector.

The board's activities are not duplicated by other governmental agencies or the private sector.



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Commerce, Community,
and Economic Development

DIVISION OF CORPORATIONS, BUSINESS AND
PROFESSIONAL LICENSING

P.O. Box 110806
Juneau, Alaska 99811-0806
Main: 907.465.2550
TDD: 907.465.5437
Fax: 907.465.2974

November 6, 2012

RECEIVED

NOV 07 2012

LEGISLATIVE AUDIT

Ms. Kris Curtis, CPA, CISA
Legislative Auditor
Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RE: Preliminary Audit Report, Department of Commerce, Community, and Economic Development (DCCED), Board of Public Accountancy, June 1, 2012

Dear Ms. Curtis:

Thank you for the opportunity to respond to the preliminary report recommendations for the Board of Public Accountancy sunset review audit. The department concurs with the report conclusion that the board's termination date should be extended eight years to June 30, 2012. Our comment on the sole recommendation is provided below.

Recommendation No.1

The DCBPL director should continue to address deficiencies in the investigative case management system.

The department concurs with this recommendation. As noted in the preliminary report, DCBPL has taken steps to address the deficiencies. This included an interdisciplinary task force to identify underlying problems, develop a corrective action plan, establish case management procedures, and deliver training to investigative staff. DCBPL will continue implementation of this action plan through FY13.

Ms. Kris Curtis, CPA, CISA
November 6, 2012
Page 2

Again, thank you for the opportunity to respond to the preliminary audit report. If you have any additional questions please contact me at 907-465-2500.

Regards,

A handwritten signature in black ink that reads "Susan K. Bell". The signature is written in a cursive style with a large initial 'S'.

Susan K. Bell
Commissioner

Cc: Don Habeger, Director, Corporations, Business and Professional Licensing, DCCED
Jo Ellen Hanrahan, Director, Division of Administrative Services, DCCED



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Commerce, Community,
and Economic Development

BOARD OF PUBLIC ACCOUNTANCY
Cori Hondolero, Executive Administrator

550 West 7th Avenue, Suite 1500
Anchorage, AK 99501-3567
Main: 907.269.8160
Fax: 907.269.8156

October 23, 2012

Kris Curtis, CPA, CISA
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED

OCT 24 2012

LEGISLATIVE AUDIT

Dear Ms. Curtis,

Re: Preliminary audit report for Board of Public Accountancy dated June 1, 2012

In response to your letter dated October 16, 2012 please find the following:

Regarding Recommendation No 1.

The Board cannot respond to the deficiencies noted within the investigative case management system, as the Board and licensing staff do not have access or use this system. The Board does meet with investigative staff throughout the year at Board meetings and has designated a Board investigative liaison to be available to assist the assigned investigator as requested.

The Board is pleased to receive the recommended extension of its termination date to 2021 and will continue to monitor the noted deficiencies.

Sincerely,

A handwritten signature in blue ink that reads "Jeff Johnson".

Jeffrey L. Johnson, CPA
Chairman of the Alaska Board of Public Accountancy