

Economic Affairs Interim Committee
Questions for Board Review under HB 525
Board of Public Accountants
January 19, 2012 ~ 2:15 PM

1. What is the public health, safety, or welfare rationale for licensing and regulating your profession/occupation?

This board is in place to protect the public's financial welfare. The CPA profession is extremely broad, not only in the services the CPA provides, but also in the various third-parties who rely on the CPAs work. The services provided to clients are relied upon by taxing authorities, banks and other lending institutions, investors, governmental entities providing grants, donors, boards of directors, family beneficiaries, etc. The reliance on the services of CPAs by outside third-parties is what sets the public accounting profession apart from all others. It amplifies the importance of the profession's ethical obligations for independence, integrity and objectivity that directly relate to serving the public interest.

2. If your profession is not licensed, what public protection would be lost?

If CPAs were not licensed, the public would not be able to identify those professionals which have not only passed the CPA Exam and met the education and experience requirements, but who are also up-to-date (via continuing professional education) on the most recent standards and laws. The general public does not usually have the appropriate knowledge in order to review a work product and determine if it meets professional standards, leaving that responsibility to the board.

3. If a license is necessary (for health, safety, or welfare), does the profession/occupation need a board for oversight? If yes, please explain why and describe the purpose of creating a board.

The aspect of the CPA profession which makes the need for an oversight board imperative is that it is ever changing, requiring people who are immersed in the profession to monitor these changes and make sure our licensees are in compliance and that Montana citizens are protected. The five practitioners on the board have the expertise to review technical matters and the two public members represent the views of consumers.

4. Does the board deal with unlicensed practice issues? If yes, what types of issues?

The typical unlicensed practice issues this board deals with are cases where an individual is advertising themselves as a CPA when they are not a licensed CPA. The board also deals with individuals who do not clearly understand mobility/practice privilege requirements and establish a CPA office in the state without being licensed in Montana. Unlicensed practice complaints are reviewed in executive session to maintain confidentiality until the board has determined whether a violation has actually occurred.

5. People who are not licensed but are qualified in an occupation or profession may feel that a licensing board is preventing them from earning a living. What is your response?

The Board of Public Accountants does not regulate bookkeepers, general accountants or paid tax preparers – these individuals may still practice and earn a living. The only individuals regulated by the Board are those that wish to be a Certified Public Accountant (CPA) or Licensed Public Accountant (LPA).

6. How does your board monitor bias among board members toward a particular licensee, an applicant or a respondent (to unlicensed practice)? How does your board monitor bias toward a particular profession/occupation, if more than one profession or occupation is licensed by the board?

Board members recuse themselves when the board is dealing with an issue regarding someone they know or in situations where the issue may be viewed as a conflict of interest for them to weigh in on the discussion. Board staff and legal counsel make sure there is consistency in the Board's actions in similar cases.

Only one profession/occupation is licensed by this board.

7. Does the profession or occupation have one or more associations that could provide oversight without the need for a licensing board? Why not use the association as the oversight body?

The professional association for CPAs in the state is the *Montana Society of CPAs*. While the board works closely with the association, the two entities have a very different mission. The society is in existence to protect the interests of its members (individuals in the profession who voluntarily pay yearly dues to be a member). The board is in existence to protect the interests of the public.

8. Is a licensing board needed in order for the practitioner to bill to receive insurance (for example, health insurance)? If so, is there an alternate method for billing that may be recognized rather than having a license or being regulated by a licensing board?

N/A

9. What are the benefits of a board being part of the licensing and discipline process instead of the department handling one or both?

The Board of Public Accountants' job is not simply to license CPAs, but to make sure individuals are prepared to carry that license and, if they stray from professional standards, to enforce. This profession is distinctly different from all other professions licensed and regulated by the department due to its regulatory complexity (ever changing issues such as federal and state tax laws, financial reporting and auditing standards and international finance standards must constantly be monitored; the U.S. CPA examination is now

administered internationally; mobility within the profession which allows CPA's licensed in one state to practice in any other substantially equivalent state without obtaining additional licenses), licensee services (a "peer review" program to make sure the financial reports being issued by our licensees meet professional standards), and the accountability of the profession to third parties and the general public who are dependent upon financial information in order to make investing, financial planning and lending decisions. All of these distinct differences require professionals who have been adequately trained in the public accounting profession and work in the field on a daily basis to make decisions regarding the licensing and discipline processes in response to the many ever changing issues facing the profession. In short, department staff would not have the expertise to understand the intricate licensing and discipline processes the public accounting profession requires.

10. Is there an optimum ratio between licensees, board size, or public representation?

There seems to be an appropriate ratio between the number of licensees, board size and public representation. The board is comprised of five practitioners and two public members. With approximately 3,500 licensees, that equates to one board member for every 500 licensees.

11. If a board's purpose includes protecting public welfare, would that consumer protection be handled better by the Attorney General's office than by a board? (In other words, is there a value in a disinterested third party? If yes, why? If not, why not?) Who should be responsible for monitoring fraud within the profession or occupation?

As discussed in previous answers, the CPA profession is ever changing, requiring people who are immersed in the profession to monitor these changes. In order for the Attorney General's office to try and match the expertise the board has, a staff of people in the profession would be needed with competitive CPA salaries offered.

Public Accountancy boards in the U.S. have an extensive network of information sharing amongst themselves as well as with federal agencies dealing with the profession (such as the IRS and the Securities and Exchange Commission [SEC]). Monitoring fraud in the profession is achieved through this collaboration.

12. If boards have overlapping scopes of practice, should there be a third-party to determine whether there is intrusion into the others' practice? If so, who should be the judge? If not, why not? Should each be allowed to operate on the other's turf without repercussions?

This board is unique from all other boards, so there are no overlapping scopes of practice.

13. Should the board have the ability to limit use of certain terminology to only a licensee?

Because of the ever changing nature of the CPA profession (as discussed in previous answers), the public relies on the restricted use of the "CPA" designation in order to identify those professionals which have not only passed the CPA Exam and met the education and experience requirements, but who are also up-to-date (via continuing professional education) on the most recent standards and laws.