

OREGON BOARD OF ACCOUNTANCY
BOARD MINUTES
December 5, 2011

2nd Floor Conference Room

3218 Pringle Rd SE

Salem OR

The Board of Accountancy protects the public by regulating the practice and performance of all services provided by licensed accountants.

BOARD MEMBERS:

Dr. Ray Johnson, CPA, *Chair*
Roberta Newhouse, CPA, *Vice Chair*
Jessie Bridgham, CPA, *Treasurer*
Dr. Roger Graham, *Public Member*
Al Crackenberg, PA
Ann Ferguson, CPA
Scott Wright, CPA

BOARD STAFF:

Pat Hearn, Executive Director
Kimberly Bennett, Exec. Assistant
Noela Kitterman, Investigator
Susan Bischoff, AAG

GUESTS:

Sherri McPherson, OSCP Representative
Larry Brown, CPA
Larry Reichman, Atty. (8:30)
Stan Martin, CPA (8:30)

Items appear in the same order as they were handled by the Board during the meeting.

1. CALL TO ORDER

Chair Johnson called the meeting to order at 8:30 a.m., welcomed guests and announced the meeting was being recorded. The Chair then closed public session and convened in executive session pursuant to ORS 192.660(2)(f) and ORS 192.690.

The public meeting was reconvened at 9:50 a.m.

Case #11-037NK

The Board discussed the proposed Stipulation and Order for PricewaterhouseCoopers (PWC). Mr. Larry Reichman, counsel for PWC was present.

PricewaterhouseCoopers bid and won an audit engagement without having a municipal auditor licensed with the Board in 2008, 2009 and 2010. Mr. Hearn and PWC counsel negotiated a settlement agreement that the Board has reviewed.

The Board expressed concern for the firm bidding on work when not in full compliance, however, recognized that once aware of the situation, they acted quickly to remedy.

BOARD ACTION: Moved by Ms. Newhouse and carried to approve the proposed Stipulation and Order.

VOTE: 7 ayes.

Case #11-051NK

This is confidential until a notice is issued or a Stipulation and Order is approved. Ms. Newhouse explained that this is a case involving an engagement letter being signed and the level of services that were performed. The Board considered the Complaints Committee's recommendations and took the following actions:

BOARD ACTION: Moved by Ms. Newhouse and carried to find sufficient evidence of a potential violation of ORS 673.160(1) and (2)(b), failure to register as a firm when providing attest services.

VOTE: 5 ayes – 2 nays (Graham and Ferguson)

Moved by Ms. Newhouse and carried to find that there is insufficient evidence to make a preliminary finding of a violation of OAR 801-050-0020(2)(c), Failure to Enroll in Peer Review.

VOTE: 6 ayes – 1 nay (Crackenberg)

Moved by Ms. Newhouse and carried to find that there is insufficient evidence to make a preliminary finding of a violation of OAR 801-030-0005(2)(a), Integrity and Objectivity.

VOTE: 7 ayes

Moved by Ms. Newhouse and carried to find that there is sufficient evidence to make a preliminary finding of a violation of OAR 801-030-0010(1)(b), Due Professional Care.

VOTE: 6 ayes – 1 nay (Graham)

Moved by Ms. Newhouse and carried to find that there is insufficient evidence to make a preliminary finding of a violation of OAR 801-030-0010(2), Auditing Standards.

VOTE: 6 ayes – 1 nay (Bridgham)

Moved by Ms. Newhouse and carried to find that there is insufficient evidence to make a preliminary finding of a violation of OAR 801-030-0020(1), professional misconduct.

VOTE: 7 ayes.

Moved by Ms. Ferguson and carried to find sufficient evidence to make a preliminary finding of a violation of OAR 801-030-0010(1)(a), professional competence.

Discussion: This violation was added due to conversation during Executive Session. There is a distinct difference on accepting an engagement and carrying out the engagement.

VOTE: 3 ayes – 4 nays (Graham, Crackenberg, Newhouse and Wright) – Motion Failed

6. B. Complaint Investigations

Action Item

Consent Agenda

1. Grove Mueller & Swank 10-041CNK

The Board received a copy of a letter sent by the Secretary of State, Audits Division letter to Grove Mueller & Swank PC, describing the result of its review of the firm's audit report of the Oregon community College Association (OCCA)

The Audits Division reported the technical review of the annual financial report of the audit did not comply with General Standards and Auditing Standards. Mr. Swank attended the Complaints Committee meeting and stated that he has done municipal audits for years and has gone through two peer reviews. The firm has complied with the Audits Division and has made continued improvement in their processes.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation that there is insufficient evidence to make a preliminary finding of a violation of OAR 801-030-0010(1) and (2).

VOTE: 7 ayes.

2. Grove Mueller & Swank 10-042CNK

The Board received a copy of a letter sent by the Secretary of State, Audits Division letter to Grove, Mueller & Swank PC, describing the result of its review of the firm's audit report of the Oregon School Boards Association (OSBA). The SOS reported the technical review of the annual financial report of the audit did not comply with General Standards and Auditing Standards. Mr. Swank attended the Complaints Committee Meeting where this matter was discussed.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation that there is insufficient evidence to make a preliminary finding of a violation of OAR 801-030-0010(1) and (2).

VOTE: 7 ayes.

3. Gary Burroughs 11-020CNK

The IRS, Office of Professional Responsibility, submitted a copy of an Agreement for Consent to Suspension from Practice before the IRS. The agreement indicates that Gary Burroughs consented to a suspension from practice before the IRS in lieu of disciplinary proceedings.

Mr. Burroughs attended the Complaints Committee meeting and stated he became a subscriber to a service provided by AdaCom that assisted small businesses comply with requirements of the Americans with Disabilities Act (ADA). Mr. Burroughs became a

consultant for AdaCom and recommended the service to others, including his clients. He did not disclose that he was receiving compensation from the company.

The Complaints Committee, with the limited information available from the Office of Professional Responsibility, found it difficult to find a violation of due professional care.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee's finding of insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b).

VOTE: 7 ayes

6.C.1. Shiraishi Hunt, LLC

11-024CNK

In 2008, Christopher Shiraishi submitted an initial firm application for the firm Hunt Shiraishi LLC. Mr. Hunt was shown as a non-CPA owner of the firm.

On the initial firm registration application and the subsequent renewal in 2009, Mr. Shiraishi answered "no" to the question asking if any CPA associated with the firm had every been suspended by a regulatory authority. Mr. Hunt has held a suspended CPA license in Oregon since January 12, 2005.

Once notified of the violation, Mr. Shiraishi stopped using the firm name and began operating the business as a sole proprietor.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation that there is sufficient evident to make a preliminary finding of a violation of OAR 801-010-0345(4)(f) and sufficient evidence to make a preliminary finding of a violation of OAR 801-030-0020(6)(a).

Discussion: The Board asked why this was not caught on the initial application and it was explained that they listed Mr. Hunt as a non-licensee; staff does not look-up non licensees. Staff will be sure that the firm application and renewal add a question as to whether or not a owner listed as a non-licensee owner has been previously licensed in any jurisdiction.

6.C.2. RoxAnn Strong

11-027CNK

RoxAnn Strong was required to renew her CPA license on or before June 30, 2010. She did not do so and her license lapsed effective July 1, 2010. While her license was on lapsed status, Ms. Strong continued to provide tax, bookkeeping and consulting services to approximately 35 business clients and 75 tax clients. Ms. Strong also continued to operate under her firm registration and represented herself as a CPA.

Ms. Strong indicated that she believed she had an extension of time to complete her CPE due to a medical hardship. Her license was reinstated on May 31, 2011. During the investigation, Ms. Strong was sentenced to Oregon state prison for felony DUII. She does not believe her use of alcohol, leading to her conviction, affected the services she provided to her clients.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendations of finding of sufficient evidence to make a preliminary finding of a violation of ORS 673.320(3) and sufficient evidence to make a preliminary finding of a violation of ORS 673.320(4).

VOTE: 7 ayes.

7. PROPOSED CASE SETTLEMENTS

A. Nancy Sikora

A proposed Stipulation and Order was presented to the Board for consideration. Ms. Sikora had her son, not an employee of the firm for which she worked, proofread a letter written on behalf of her client. The letter was confidential and was not approved by the manager of the firm. The Board confirmed that this was a violation of OAR 801-030-0015(1)(a)(A). Ms. Sikora and Mr. Hearn negotiated a settlement proposal, which included a \$500 civil penalty.

BOARD ACTION: Moved by Ms. Ferguson and carried to approve the Proposed Stipulation and Order.

VOTE: 7 ayes.

B. Richard Winkel

The Board received a letter from the Secretary of State Audits Division describing concerns related to a municipal audit of Ballston Community School that Mr. Winkel prepared.

The Board found Mr. Winkel in violation of OAR 801-030-0010(1), General Standards and OAR 801-030-0010(2), Auditing Standards. A proposed Stipulation and order was presented, which states that Mr. Winkel shall pay a civil penalty of \$500 by January 31, 2012. In addition, Mr. Winkel is scheduled for a peer review on or before December 31, 2011. If he receives anything but a "pass", he and his firm will be subject to three pre-issuance reviews of audit reports issued in 2012.

BOARD ACTION: Moved by Ms. Newhouse and carried to approve the proposed Stipulation and Order.

VOTE: 7 ayes

C. Richard Donaca

Mr. Donaca prepared a municipal audit for Sisters Park and Recreation District for the period July 1, 2008 through June 30, 2009. The Secretary of State, Division of Audits sent a letter expressing concerns related to the audit.

Mr. Larry Brown investigated the matter and found multiple deficiencies in the audit. The Board passed a motion at the August 15, 2011 meeting to make a preliminary finding that Mr. Donaca was in violation of OAR 801-030-0010(2).

A proposed Interim Stipulation and Order assesses a \$2500 civil penalty, 40 hours of CPE, and pre-issuance reviews on at least 5 audit, attest or compilation services provided in 2012.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the proposed Interim Stipulation and Order.

VOTE: 7 ayes.

2. APPROVAL OF MINUTES

- A. October 2, 2011 – Work Session
- B. October 3, 2011 – Board Meeting

BOARD ACTION: Moved by Ms. Ferguson and carried to approve the minutes.

VOTE: 7 ayes.

3. B. PUBLIC COMMENTS ON PROPOSED RULES

Mr. Stan Martin, CPA and member of the Qualifications committee submitted written comments to the proposed rule amendments, which were distributed to the Board members. Mr. Martin was present and made a brief statement.

Chair Johnson reviewed the other comments received and noted that the CPE requirement for inactive status received the most comments (Division 040). With that in mind, Chair Johnson polled the Board on whether or not they were in favor of altering the number of hours required to maintain inactive status. The Board concluded that inactive status was an accommodation to the licensee; however, they agreed to remove the requirement to obtain a course in ethics.

Division 050 received significant comments from the AICPA, however, they were received very late in the process and therefore will be pushed to the May 2012 work session for full board review.

The Qualifications Committee sent a letter to the Board regarding the proposed rule amendment requiring that a supervisor licensee be licensed in the jurisdiction where the experience takes place. The Board needs to determine what parameters, if any, they want to adopt in order to discourage individuals from obtaining an Oregon license when they have no nexus to Oregon and do not plan to live or work in Oregon. Ms. Bischoff reported that Ms. Gablicks, AAG, is looking into the possibility of requiring residency.

When a supervisor licensee does not live in the same area or state, the requirement for regular and meaningful interaction is compromised.

4. REPORT OF VICE CHAIR

Ms. Newhouse reported that she attended the NASBA annual meeting in Nashville along with Chair Johnson. She encourages Board members, particularly the new members, to attend NASBA meetings.

5. REPORT OF TREASURER

Since we are at the beginning of the biennium, there are only 4 months of revenue and expenditure trends to analyze; however, revenues and expenditures are within budget.

8. ITEMS FROM EXECUTIVE DIRECTOR

A. On-line licensing project update

The staff has been working very hard to meet deadlines and keep the project on schedule. Implementation for 2012 individual license renewals is still the target.

B. Documents Signed under Delegated Authority

The Board requested that Mr. Hearn report documents signed under his delegated authority between Board meetings. He reported that he signed three stipulations and orders, one notice of intent and one subpoena.

C. Retired Status Request (waiver)

Susan Adkisson is a licensee who currently holds inactive status. She sent the Board a letter requesting she be granted 'retired' status; however, she has not met the age requirement nor been actively licensed for 20 years in Oregon. Ms. Adkison has a serious medical condition and is unable to meet the proposed CPE requirement to maintain her inactive license. If her license was to go to lapsed status, she would lose the insurance provided through AICPA.

BOARD ACTION: Moved by Ms. Newhouse and carried to waive the CPE requirement for Ms. Adkison, if verification is received from her physician and allow her to remain on inactive status.

VOTE: 7 ayes.

D. Matthew Gosselin Schick License Application

Mr. Schick applied for initial licensing in May 2011. Mr. Schick was supervised by an individual who let their license lapse for a period of about 7 weeks. Because of the lapse in his status, he did not qualify to sign off on Mr. Schick's experience. (Supervisor licensees are required to have an active license for 5 consecutive years immediately preceding the supervision and during the period of supervision).

Mr. Schick indicated that his supervisor licensee, Mr. Barnes, shared an office with another licensee, Mr. Barkley, who also supervised Mr. Schick's work. Experience forms were sent to Mr. Barkley who signed off on all competencies and verified 9 months of experience.

Mr. Schick had 8.5 months of experience under the supervision of Mr. Barnes and another 6.5 months under Gary McGee and Co.

BOARD ACTION: Moved by Mr. Graham and carried to accept the experience obtained while supervised under Mr. Daniel Barnes.

VOTE: 7 ayes.

E. Review of Actions taken on Secretary of State Audits Division Letters

Mr. Hearn presented the Board with a listing of the letters received from the Secretary of State's Audit's division and the outcome of the review by the committee and Board. It has become apparent that the result obtained from investigating these matters does not justify the expenditure of resources that has been required. It would be a more prudent use of resources to review Secretary of State letters in the same manner as other potential complaints.

BOARD ACTION: Moved by Ms. Bridgham and carried to discontinue having the CPE committee review all Secretary of State Audits Division letters.

VOTE: 7 ayes.

F. Update on office space

Mr. Hearn contacted a representative from DAS Facilities Division and set an appointment for her to come and view the current work space. She concurred that the space is not adequate for maintaining security of Board property.

The Board currently is obligated to pay for space that includes common areas such as 4 conference rooms, hallways and shared work space. The Board office itself only would require between 2500 and 3000 including a conference room. Mr. Hearn and Mrs. Sisk will coordinate with DAS Facilities to look at potential properties.

12. OLD BUSINESS

The Board granted Ronald Bales a six-month extension to submit a peer review report in May 2011. He failed to have a peer review performed and subsequently let his CPA license lapse and firm registration terminate.

The Board sent a letter in November 2011 requesting Mr. Bales to provide his audit clients written notification that he is no longer licensed to practice public accountancy and, therefore, is unable to provide professional services to them. He was also required to provide the Board copies of the written notifications by November 30, 2011. He failed to do so.

Mr. Bales has not applied for reinstatement.

13. CONTINUING PROFESSIONAL EDUCATION

- A. Minutes of November 16, 2011– Information Item
- B. Municipal Auditor Applications**
 - 2. Applications for Discussion
 - a. Jessica Ann Knowles

Ms. Knowles claimed a fraud course for the hours under Audits of State and Local Governments. The committee only allowed partial credit for this program under that subject matter. Ms. Knowles was asked to get an additional course; she did not respond to the request.

BOARD ACTION: Moved by Ms. Bridgham and carried to deny the application for municipal auditor for Jessica Ann Knowles.

VOTE: 7 ayes

15. QUALIFICATIONS COMMITTEE

- A. Minutes of November 9, 2011 (Information item)

- B. Consent Agenda
1. Recommendations
 - a. Brett Michael Williams/Approve
 2. Approval of Applications
 - a. CPA Certificates/Permits
 - b. PA Licenses/Permits
 - c. Firm Registrations

BOARD ACTION: Moved by Ms. Ferguson and carried to approve the consent agenda.

VOTE: 7 ayes.

Ms. Ferguson reported that she and Chair Johnson met with Ms. Shepherd and Mr. Hearn regarding the certificate of experience form that is sent to employers to verify an applicant's experience. Ms. Ferguson volunteered to revise the form to better assess the applicant's experience. The form will be ready for Qualification committee review at their January meeting.

3.C. Proposed Rule Revisions

1. Division 001

Minor wording changes were suggested to Division 001 with regards to section 801-001-0040, procedures for complaints.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the proposed rule amendments.

VOTE: 7 ayes.

2. Division 005

Susan Bischoff, AAG, proposed revisions to the definition of inactive status by rearranging some of the sections to better reflect the meaning of the rule. Chair Johnson did not agree with the changes.

BOARD ACTION: Moved by Ms. Newhouse and carried to approve the amended rules for Division 005 with Ms. Bischoff's suggestions.

VOTE: 6 ayes, 1 nay (Graham)

3. Division 010

Rule revisions were proposed to increase late fees for all renewals to the same amount as the respective license. In addition, the proposed rules required that a supervisor licensee hold an active license in the jurisdiction where the supervision took place. This proposal was not approved as a result of comments from licensees and Board members.

There was also concern regarding license applicants who have no nexus to Oregon. A task force will be formed to identify possible revisions for 2013. Dr. Graham and Mr. Wright will serve on the task force.

The Board discussed the CPE requirement proposed for Inactive licensees. The Board was split on whether or not to require inactive licensees to report an ethics course each renewal.

BOARD ACTION: Moved to approve the changes to Division 010, with the elimination of the supervisor licensee requirement and the ethics requirement for inactive licensees.

VOTE: 6 ayes, 1 nay (Graham)

4. Division 040

BOARD ACTION: Moved by Ms. Newhouse and carried to approve the rules that were presented and the changes discussed earlier in the meeting. (see public comments section)

VOTE: 6 ayes, 1 nay (Graham)

5. Division 050

BOARD ACTION: Moved by Ms. Newhouse and carried to approve the rules as presented.

VOTE: 7 ayes.

18. NEW BUSINESS

A. Election of 2012 Board Officers

BOARD ACTION: Moved by Ms. Ferguson and carried to elect Roberta Newhouse, Chair and Jessie Bridgham, Vice-Chair for 2012.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Newhouse and carried to elect Ms. Ferguson Board Treasurer for 2012.

VOTE: 7 ayes

B. Board Liaison Assignments for 2012

1. Complaints – Jessie Bridgham
2. CPE – Al Crackenberg
3. PROC – Ann Ferguson
4. Qualifications – Roger Graham

BOARD ACTION: Moved by Ms. Bridgham and carried to appoint the above members as liaisons to the respective committees.

VOTE: 7 ayes

C. Committee Appointments

1. Complaints

Kent Bailey, CPA of Guyer Lindley Bailey & Martin CPAs PC was nominated to serve on the Complaints Committee.

BOARD ACTION: Moved by Ms. Bridgham and carried to appoint Mr. Kent Bailey to serve on the Complaints Committee.

VOTE: 7 ayes

2. CPE

Gerry Burns, CPA, of Gerald Burns CPA, Sally Jaeggli, CPA of Hough Macadam & Wartnik, LLC, Rob Moody, CPA of Talbot Korvola & Warwick LLP and Linda Weber, CPA were nominated and approved by the Board to serve on the CPE Committee. Mr. Burns, Ms. Jaeggli and Mr. Moody all hold a municipal auditor license.

BOARD ACTION: Moved by Ms. Bridgham and carried to approve the above mentioned individuals to serve on the CPE committee.

VOTE: 7 ayes.

3. Peer Review Oversight Committee (PROC)

Ryan Kramer, CPA from Deloitte & Touche LLP and Nancy Young, CPA from Moss Adams LLP were nominated to serve on the PROC.

BOARD ACTION: Moved by Ms. Bridgham and carried to appoint Mr. Kramer and Ms. Young to serve on the PROC.

VOTE: 7 ayes.

4. Qualifications

Alan Steiger, CPA, Bryce Wilberger, CPA of Kernutt Stokes LLP were nominated to serve on the Qualifications Committee.

BOARD ACTION: Moved by Ms. Bridgham and carried to appoint Mr. Wilberger and Mr. Steiger to the Qualifications Committee.

3. REPORT OF CHAIR

A. Introduce new Board members

The Governor has appointed Mr. Scott Wright, CPA of Kernutt Stokes in Eugene to replace the position previously held by Kent Bailey. In addition, Larry Brown was appointed to fill Ray Johnson's position. The Board welcomed the new members.

6. COMPLAINTS COMMITTEE

Bridgham

A. November 4, 2011 Meeting Minutes (*Information Item*)

10. REPORT OF OAIA

11. REPORT OF OSCPA

14. PEER REVIEW OVERSIGHT COMMITTEE

No Meeting Held

16. CPA EXAM

17. CODE OF PROFESSIONAL CONDUCT

No meeting held

The Board presented Dr. Ray Johnson a plaque in their appreciation of his dedication and service to the Board of Accountancy.

NEXT MEETING

Date: February 6, 2012
Location: Board Office
Time: 8:30 a.m.

Adjourn at 3:57 p.m.