



## Oregon Board of Accountancy

3218 Pringle Rd. SE #110 Salem, OR 97302 | 503-378-2270

# BOARD MEETING PUBLIC SESSION MINUTES

May 18-19, 2015

Board of Accountancy Office, 2<sup>nd</sup> Floor Conference Room  
Salem, Oregon 97302

### Present:

Larry Brown, CPA, Chair  
Scott Wright, CPA, Vice-Chair  
John Lauseng, CPA, Treasurer  
Candace Fronk, CPA  
Roger Graham, Public Member  
Lynn Kingston, CPA, (until 4 p.m. on February 3)  
Al Crackenberg, PA

### Staff:

Martin Pittioni, Executive Director  
Susan Bischoff, AAG  
Noela Kitterman, Investigator  
Theresa Gahagan, Investigator  
Bethany Reeves, Compliance Specialist  
Kimberly Fast, Licensing Manager

### Guests:

Phyllis Barker, OSCPA  
Jay Richardson, CPA, OSCPA  
Stuart Morris, PA, OAIA (12:08 p.m.)

Cynthia Anderson (12:08 p.m.)

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## 1. Call to Order / Announce Recording / Review Agenda

Chair Brown called the meeting to order at 11:40 a.m. and announced the meeting was being recorded. Mr. Pittioni advised the members that some agenda items scheduled for Monday may be deferred to Tuesday.

## 3. Approval of Minutes

### A. March 9, 2015

BOARD ACTION: Moved by Mr. Wright and carried to approve the minutes of March 9, 2015 as written.

VOTE: 6 ayes, 1 abstention (Fronk)

### B. March 19, 2015

BOARD ACTION: Moved by Mr. Wright and carried to approve the minutes of March 19, 2015 as written.

VOTE: 7 ayes.

## 6. Report of OSCPA

Mr. Jay Richardson is the new Vice-Chair of the OSCP and the representative who will attend Board meetings. Mr. Richardson reports that the OSCP has developed a strategic plan and clear objectives. CPE is also in full swing.

## **8. Report of Chair**

Chair Brown reported that he and Mr. Pittioni attend the OSCP Award Banquet. Oregon had an Elijah Watt Sells recipient, Nicholas Dollar, who was awarded at the banquet as well as many outstanding new CPAs entering the profession.

Chair Brown is a member on NASBA's Enforcement Resource Committee. NASBA is issuing a Peer Review failed report to provide guidance to state Boards and to promote consistency amongst state Boards. The report is intended to give state Boards consistent direction on what to do when a firm receives a failed peer review. Basically the report states that if a firm has an initial peer review and receive a pass with deficiency, they are recommending that a letter of warning is sent, same for a failed peer review report.

Chair Brown also noted that the committee discussed the relationship between the Department of Labor and firms providing ERISA audits, the AICPA and State Boards. The Department of Labor has initiated legislation to give them authority to regulate the accounting firms that provide ERISA audits. Over the past 10 years, there has been around 600 audit quality findings against firms and of those only 90 of those reported to the State Boards, the rest were reported to the AICPA so the Boards are not even aware of those issues.

NASBA, AICPA and the Department of Labor are trying to collaborate to get better information to the Boards. The Oregon Board received a list that was given to NASBA by the DOL and then sent to each state Board of firms that provided ERISA audits for the year 2012. There was no data that any of the firms had done anything wrong, just that the firm had prepared the audit. It was up to each individual state Board to find out if the firms were enrolled in peer review.

Ms. Bischoff reported that attorneys from other jurisdictions are also discussing this issue and some states who provide their own peer review are recalling peer reviews where firms did not disclose ERISA audit work as required in the peer review process.

NASBA also spent some time putting together a summary of how each state handles enforcement. Each state has their own unique process, some have a complaint department, while others use their Executive Director as an investigator. There will be follow up discussion regarding principles on enforcement from that committee.

Mr. Graham asked the Board if it was willing to allow the Department of Labor to have oversight over firms that provide ERISA audits in order to manage an already full case load. Chair Brown was against any other agency taking over the review.

## **7. Report of the OAIA**

Mr. Morris reported that the OAIA recently held a convention in Idaho. They have formalized their continuing education courses for 2015. He also reported that Public Accountants and Enrolled Agents are being fined by the IRS for returns that they did not prepare. Apparently there are fraudulent claims being filed with someone's PTIN number. Mr. Crackenberg added that he had 30 returns this year that when he went to file, an error was reported showing the returns had already been submitted. Mr. Morris will keep the Board apprised of any further movement on this matter.

## **9. Report of Vice Chair**

Mr. Wright attended the April 24, 2015 Board of Accountancy Complaints committee meeting and also was involved in potential changes to the compliance process and streamlining which will be discussed later in the agenda. Mr. Wright is transitioning out of the role of liaison to the Peer Review Oversight committee and Ms. Fronk is taking over that role.

## **5. Public Comment**

Ms. Cynthia Anderson attended the Board meeting to provide to the Board her views on the complaint process and her recent experience as a complainant. Ms. Bischoff advised Ms. Anderson that the meeting was being recorded. Ms. Anderson proceeded to address the Board for about 15 minutes primarily reading from a prepared statement that provided a summary from her point of view regarding her dealings with CPA Kirby Kanada and what from her point of view were poor handling and decisions by Mr. Kanada in handling of her parent's trust.

The Board thanked Ms. Anderson for her comments. Ms. Bischoff expressed her regrets for the family upheaval experienced by Ms. Anderson, and reminded Ms. Anderson that it is not the Board's role to calculate damages and that there is no monetary result that she can gain from the Board's process. Mr. Pittioni thanked Ms. Anderson for coming and asked her for a copy of her prepared statement.

## **11. Report of the Executive Director**

Mr. Pittioni reported that Ms. Noela Kitterman, Board Investigator will retire on July 1, 2015. He is working with Ms. Kitterman to return to work on a part-time basis to help with workload issues.

There is an open recruitment for the position and so far there around 9 applicants, however, none hold a CPA license. The Financial Investigator 1 position does not require that the applicant have a CPA license, it can only be listed as a desired credential. Mr. Pittioni is reviewing options with the Department of Administrative Services to review the classification of this position and allow an explicit up-front requirement for a CPA-level investigator, with a more appropriately compensation associated with such an explicit requirement for the position.

The Board's Bill SB 272 is scheduled for work session by the House Committee on Business and Labor on May 22, 2015 after receiving hearing on April 27 by that committee and passing the Senate on a 30-0 vote. The Board's budget bill for 2015-17, SB 5501 was approved by the Ways

and Means committee with all the Board's requests, including additional compliance resources and the second investigator position on a permanent basis. The Senate passed the budget bill 28-1 and the Board is awaiting a House floor vote.

The OSCPA managed the fee bill raising individual renewal fees and firm renewal fees which passed the Senate Business and Transportation Committee at 4-1-1 and then referred to the Ways and Means where it also passed. The Senate passed this bill 24-5 and is now waiting for a House vote.

The Board is working with IT contractors on improving the licensee look-up and nightly automatic uploads.

The renewal form has been posted to the Board's website in fillable pdf format since early May and renewal applications were mailed on May 15, 2015.

The Board now has presence on Facebook and Twitter thanks to Kristen Adamson at the Board office.

#### **4. Complaints Committee / Motions on Cases**

##### **A. Minutes of April 24, 2015**

Minutes were presented to the Board for information only.

##### **B. Motions on Cases**

###### **1. Darren Michael Hall, Case #14-052**

Mr. Hall was issued a license in Oregon by reciprocity on April 7, 2014. After the license was issued, the Board learned of an open investigation against Mr. Hall by the Maine Board of Accountancy. Mr. Hall did not report on his application that he had disciplinary action from another state board. Additional problems were discovered during the course of the investigation.

BOARD ACTION: Moved by Mr. Wright to find that there is sufficient evidence to make a preliminary finding of multiple violations of OAR 801-030-0020(1) Professional Misconduct (2014 edition) for not disclosing the Maine Board of Accountancy investigation, gaps in employment and not reporting the resolution to the investigation in Maine.

VOTE: 7 ayes.

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of ORS 673.160(1)(a), Registration of Business Organizations (2014 edition) for failing to register McCurdy & Hall PC.

VOTE: 6 ayes, 1 nay (Fronk)

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(6)(c), Plural Firm Names, (2014 edition), using a plural name when one member had deceased.

VOTE: 6 ayes, 1 nay (Graham)

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(6)(b), (2015 edition) Board communications and investigations. for representing to the Complaints Committee on April 24, 2015, that Respondent had not received his Order from the Maine Board of Accountancy, when in fact he had received and signed for the Order prior to March 3, 2015.

VOTE: 6 ayes, 1 nay (Graham)

*Mr. Lauseng believes the non-disclosure of disciplinary action and not communicating timely with Board staff are both egregious violations. Others on the Board agreed. Mr. Pittioni stated that Mr. Hall is eager to settle this matter. Mr. Lauseng believes suspension and penalties and possible revocation is appropriate, Ms. Fronk agreed. The Board referenced the accusation that Mr. Hall had been involved in embezzlement, however there was no evidence to support the allegation. Mr. Wright reminded the Board that Mr. Hall lied to the Board by denying certain facts in the case. The Board developed a consensus that Mr. Pittioni negotiate for a surrender of the license and a high civil penalty. Resignation in lieu of revocation was also mentioned.*

## **2. Case #11-056**

Mr. Ashton, attorney for the respondent was connected via conference call at 1:52 p.m. Mr. Wright explained that the case involves a CPA who was engaged to prepare the final accounting of assets of various trusts for the siblings of the deceased parents. One of the children challenged the final accounting records and stated the interest rates on the loans were either non-existent or not properly allocated. The complainant believes this resulted in the estate not being properly distributed amongst the siblings.

BOARD ACTION: Moved by Mr. Wright and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b), Due Professional Care (2009 Edition) for not tracking both personal and trust loans.

VOTE: 6 ayes, 1 nay (Graham)

BOARD ACTION: Moved by Mr. Wright and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b), Due Professional Care (2009 edition) for not calculating interest on loans with stated interest rates for the purpose of calculating the loan summary.

VOTE: 5 ayes, 2 nays (Brown, Graham)

## **3. Peggy Ann Cole, Case #13-052**

The complainant was a client who alleged a requested extension was not filed, that the licensee signed the tax returns with the client's signature without permission and requests for records were not timely returned.

BOARD ACTION: Moved by Mr. Wright and carried that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b), Due Professional Care (2013 edition) for not possessing technical competency to handle a tax return as complex as complainants.

VOTE: 5 ayes, 2 nays (Graham, Lauseng)

BOARD ACTION: Moved by Mr. Wright and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b), Due Professional Care (2013 edition) for not filing a tax extension for a client, and for failing to confirm with another professional service provider that the provider had filed the extension for the client.

VOTE: 6 ayes, 1 nay (Crackenbergl)

BOARD ACTION: Moved by Mr. Wright and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0015(2), Client records and working papers (2013 edition) for not returning client's work papers timely after client's request.

VOTE: 7 ayes

BOARD ACTIONS: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(1), Professional Misconduct (2013 edition) for signing client's name to the tax return without having the power of attorney to do so.

VOTE: 7 ayes.

*The Board agrees that signing a client's tax return without authorization or authority is egregious. The Board thinks she should surrender her license and if she doesn't then assess high civil penalties. The Board questioned whether action would be sent to the state in which the respondent resides, and they will. The Board would like to write into the settlement agreement that she is not allowed to do any "back room" accounting in Oregon.*

#### **4. William F. Holdner, Case #14-041**

Mr. Holdner and Ms. Baum were trustees of a trust for Mr. Pardue and there were legal proceedings to remove them from that trust. Mr. Holdner refused to resign based on his determination that Mr. Pardue was not competent to request he resign. Mr. Pardue initiated a civil lawsuit to remove Mr. Holdner as a Trustee and the lawsuit resulted in a finding in favor of Mr. Pardue.

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(a) and (b), Professional Competence and Due Professional Care for services provided while acting as trustee.

VOTE: 7 ayes.

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(1), (2012 edition), Professional Misconduct for failure to resign as trustee.

VOTE: 3 ayes, 4 nays (Crackenberg, Graham, Fronk, Brown. **Motion Fails**)

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(7), Board Communications and investigations (2012 Edition), failure to respond to the Board.

VOTE: 7 ayes.

*The Board members believe that the trustee issue is the most egregious violation. Board members collectively believed that they (he) acted in good faith. MR. Brown was comfortable with an admission of guilt and a low monetary penalty. Mr. Pittioni suggested restricting the CPA license to no allow him (them) to serve as a trustee in the future. Board agreed with that solution.*

## 5. Jane Baum, Case #14-042

Ms. Baum was the co-trustee on the above case (14-041). Her case has similar facts and circumstances.

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(a), Professional Competence (2012 edition) and OAR 801-030-0010(1)(b), Due Professional Care (2012 edition) for serving as a trustee.

VOTE: 7 ayes

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(1), Professional misconduct (2012 edition), failure to resign as trustee.

VOTE: 3 ayes, 4 nays (Crackenberg, Graham, Fronk, Brown) **MOTION FAILED**

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(7), Board Communications and investigations (2012 edition), failure to respond to the Board.

VOTE: 7 ayes.

**6. Holdner Backstrom Baum & Company, Case #14-043**

This is the firm for the above two cases (14-041 & 14-042).

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-020(6)(c), Plural Firm Names (2012 edition), by failing to employ a fourth licensee.

VOTE: 7 nays **MOTION FAILS**

*The Board has referred the plural firm name language to the Laws and Rules Committee for further review.*

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(1), Professional misconduct (2102 edition), reporting a licensee as an employee, when that licensee was not an employee of the firm. *Note: Mr. Wright noted that a licensee was reported on several firm renewals as an employee. While the licensee worked closely with the firm, he was never an actual employee*

VOTE: 7 ayes

BOARD ACTION: Moved by Mr. Wright and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(7), Board Communications and investigations (2012 edition), failure to respond to the Board.

VOTE: 4 ayes, 3 nays (Lauseng, Brown, Crackenberg)

*The Board believes that falsely reporting a licensee as an employee is the most egregious of the violations.*

**12. New Business**

**A. Sarah Ryden – PA request to apply for CPA license**

Sarah Ryden holds a Public Accountant license (PA) in Oregon and would like to apply for the CPA license. Ms. Ryden sent a letter to the Board requesting that sections of the CPA examination that she has passed, but have expired, be considered in order for her to be eligible for the CPA license. Once an examination section is passed, the candidate has 18-months to pass the remaining sections or any passed sections older than 18 months expire.

Mr. Brown questioned the rule that states the exam and experience must be completed within 8 years. Ms. Bischoff stated that based on standard rules of statutory construction, the 18 months window for passing exam sections applies to everyone and in addition, there is another requirement that applicants need to complete the exam and the experience requirements to qualify within an 8 year window.

Mr. Pittioni advised the Board that if the Board decides to allow Ms. Ryden to use expired exam sections in order to get licensed it could cause Oregon to become a gateway for applicants to come to apply in Oregon for PA licensure if they have trouble passing the Audit section of the exam. In addition, such a decision could be seen as not in sync with how other states and NASBA are handling access to the uniform CPA examination.

BOARD ACTION: Moved by Mr. Wright and carried to deny Ms. Ryden's request to allow expired CPA exam sections in order for her to be eligible for a CPA license.

VOTE: 6 ayes, 1 nay (Crackenbergl)

## **B. NASBA Nominations for Board of Directors**

NASBA asked Boards of Accountancy to consider nominating individuals for NASBA's Board of Directors. Board members asked who was eligible for nominations, current Board members, past Board members. Mr. Pittioni recalled nominations in the past had typically been past board members.

The Board did not have any nominations to submit to NASBA.

## **C. NASBA Award Nominations**

NASBA asked state Boards for nominations for deserving individuals who had made notable contributions to NASBA by preserving the public trust through effective regulation. The Board reviewed the qualifications and will consider possible candidates. The nominations are due to NASBA by June 29, 2015.

## **13. Old Business**

### **A. Dan Parr Administrative Closure Request, Case #14-067**

At some point after issuing a Final Order of Default to Mr. Parr (Case 14-010), the Board received information of Mr. Parr's non-compliance with the Order. It is the Board's practice to open a new investigation when there is an allegation of non-compliance with a settlement or order, because this involves new allegations and a new investigation. As such, Case 14-067 was opened. However, before any work was performed under the new case, Mr. Parr requested to be allowed to come back into compliance. The Board agreed to grant Mr. Parr's request under certain conditions which were outlined in the *Stipulated Final Order on Reconsideration* (SFO).

The SFO approved by the Board on March 9, 2015 resolved the known issues of non-compliance with the Final Order of Default that took effect on October 8, 2014, and therefore, Board staff is asking the Board approve an administrative closure of the secondary case (#14-067).

BOARD ACTION: Moved by Mr. Wright to close case #14-067 for Dan Parr.

VOTE: 6 ayes, 1 abstention (Fronk)

### **B. Grove Mueller & Swank Case #09-072CNK**

The Board discussed the current status of negotiating a Memorandum of Understanding in the case against Grove Mueller & Swank considered originally at the October 2014 Board meeting with multiple preliminary findings of sufficient evidence of violation of audit standards. At that time, the Board agreed that before any sanctions were assessed, more data was needed on the firm's current level of compliance with audits and procedures, to allow the Board to consider if the firm had improved their processes since the original complaint was filed.

The Board in October directed Mr. Pittioni, Mr. Wright and Ms. Fronk to negotiate an interim agreement the firm to perform some post issuance reviews. Mr. Wright noted that it is not a peer review, but used the same sort of framework. Some key points were to look at the planning of the audit, evaluation of risk, the audit product, statements made by the firm.

The Memorandum of Understanding (MOU) did not find agreement by the firm. One concern was that Mr. Swank was individually named in the proposed MOU rather than the firm, as well as a disagreement that Mr. Swank was in fact an individual Respondent in the case. The Board briefly discussed the suggestion by the firm and the regulatory implications where no individual is responsible for audit work, only the firm.

Ms. Bischoff expressed serious reservations about that type of responsibility construct, as did Mr. Pittioni. Chair Brown advised he was comfortable with withholding any civil penalties in the underlying case as long as the post-issuance reviews requested under the MOU come back clean. The Board would like to remind the respondents that this extra step is only trying to help resolve the issues found during the investigation. If they are not willing to accept, the Board will issue a Notice and need to proceed solely on the basis of the evidence developed from the original case.

Mr. Pittioni, Mr. Wright and Ms. Fronk will try to schedule an in person meeting with the representative from the firm to come to a consensus.

### **C. Update from Board Counsel re: Gustafson Court of Appeals Case**

Ms. Bischoff updated the Board on development reminded the Board that Mr. Gustafson's case stemmed from a 2009 tax return check in the amount of about \$103,000 that was not provided to the clients and instead was deposited into the firm's account, and then a check issued to the clients after deduction by Mr. Gustafson of his "outstanding" fees. The Board's Final Order provided for a 2-year suspension and assessment of Board costs. Mr. Gustafson appealed the Board's decision. The Court of Appeals concluded in an opinion issued on April 22, 2015 that

the sanction imposed by the Board was appropriate and the process issues raised by Respondents regarding discovery were not valid. Ms. Bischoff reported that the matter was not concluded at this time since Gustafson could still file for reconsideration and Supreme Court review.

## **15. Compliance Process Discussion**

Mr. Wright reported that on May 8, 2015 a meeting was held by several members of the Board and also complaint committee (BOACC) members and staff to gather ideas on how to more efficiently handle the backlog of unresolved disciplinary cases. Topics included cases that can be dealt with letters of concern, what can be done at the staff level via delegated authority, develop a list/matrix that can guide staff in resolutions / identification of types of cases and violations that can be resolved internally (staff level).

The Board discussed what types of delegated authority the Executive Director should be given to handle certain types of disciplinary and non-disciplinary actions. The more egregious or technical cases should continue to be reviewed by BOACC and the Board.

Another suggestion was to implement a direct-to-Board (no complaints committee) option for some cases that are too serious to resolve internally, but did not really merit the full review and technical expertise of BOACC. It was suggested by the work group to use a matrix/list with specific factors on what types of cases/allegations can be investigated and brought straight to the Board for resolution without going through the BOACC. This approach could potentially be used in medium-level cases that do not allege ethical violations, violations of code of conduct or professional standards. This would leave only very serious allegation cases of ethical misconduct and violation of professional standards for the BOACC to hear.

The work group also identified potential efficiency steps for the Board to consider.

Mr. Richardson suggested compiling a list of actions that can be handled at the staff level and what will be handled by the complaints committee and Board and publish that document on the website.

The Board expressed agreement with the ideas listed and Mr. Pittioni will fine tune the document and present to the Board at either the August or October Board meeting.

Mr. Pittioni asked Board members to tie this discussion the struggles the Board is having for the current recruitment for a CPA investigator position. If we can calibrate out process to the needs it may make logical sense to consider having only one CPA investigator and focus other enforcement cases to an investigator with an accounting background but not a license. There are several classifications that would work for the second investigator position where they could focus on more of the non-technical complaints and process management.

The Board is not opposed to hiring a non-CPA for one of the investigator positions, but would prefer an accounting background and possible experience with tax returns.

## **14. Delegated Authority**

The Board reviewed the current delegated authority document and suggested amendments. This document needs some additional work and review after the legislative changes are incorporated into statute. This topic will be ongoing and presented at future Board meetings.

Chair Brown adjourned the meeting at 5:40 p.m.

Chair Brown reconvened Public Session on May 19, 2015 at 8:00 a.m.

## **4. Complaints Committee**

### **C. Settlement Proposals**

#### **1. Keith Martin Case #14-047**

This case is based on the March 6, 2014 indictment of Keith Martin for theft in the first degree, forgery in the first degree and identity theft. Mr. Martin was ordered to have supervised probation for 18 months, serve 14 days in the Deschutes County Adult Jail and pay restitution to his employer and complete an evaluation and any recommended treatment for alcohol abuse.

The settlement agreements provides that Mr. Martin resign his CPA license in lieu of revocation, The Board will suspend collection of all cost it incurred pending the compliance of the terms and conditions of the settlement.

BOARD ACTION: Moved by Mr. Wright and carried to set aside Default Order previously entered and approve Settlement Agreement and Stipulated Final Order in case #14-047

VOTE: 7 ayes.

#### **2. Jeff T. Edison Case #14-044**

This case involves Mr. Edison's and his firm's ability to appear objective and free from conflicts of interest in performance of his work and the operation of the firm. Mr. Edison, in his capacity as Ms. Perry's employer and managing partner of the firm, had an actual or perceived conflict of interest when he engaged Ms. Perry to perform a BETC verification letter in her capacity as an employee of Mr. Edison's CPA firm. In addition, Ms. Perry held the position of secretary for a company in which her husband was the president of and which performed the work subject to the BETC. The agreement also provides that Mr. Edison personally must pay the \$3,000 civil penalty and requires every CPA employees and shareholders of the firm take a 4 hour professional ethics course.

BOARD ACTION: Moved by Mr. Wright and carried to approve the Settlement Agreement and Stipulated Final Order in Case #14-044, Jeff Edison and Edison, Perry & Company contingent upon receipt of full executed original document no later than May 27, 2015.

VOTE: 7 ayes

### **3. Deyette Perry Case #13-001**

This case involves Ms. Perry preparing a BETC verification letter as directed by her employer for her employer's other company, Northside Investors, for work provided by Renewable Energy Constructors Inc, which is Ms. Perry's husband's company and where Ms. Perry held the position of corporate secretary. The Board found Ms. Perry in violation of independence rules, integrity and objectivity and assessed a \$4,000 which must be paid by her personally and 16 hours of CPE to be completed in technical study and financial reporting.

BOARD ACTION: Moved by Mr. Wright and carried to approve the Settlement Agreement and Stipulated Final Order in case #13-001, Deyette Perry, contingent upon receipt of the fully executive original document no later than May 27, 2015.

VOTE: 7 ayes

### **4. Jerome Fischer Jr., Fischer Hayes and Associates PC, Cases #11-063NK and #11-064NK**

This case was initiated as a result of a tax strategy that the firm developed. The respondents agreed to the settlement which imposes \$15,000 in civil penalties for the firm and \$35,000 in civil penalties against Mr. Jerome C Fischer Jr and a joint civil penalty of \$10,000. The Board agreed to suspend \$5,000 of the penalties against the firm, suspend \$10,000 of the penalties against Mr. Fischer and \$5,000 suspension of the \$10,000 joint penalty for costs. Stewart Hayes and Jerome Fischer must completed 28 hours of Board approved CPE.

BOARD ACTION: Moved by Mr. Wright and carried to accept the settlement agreement as presented.

VOTE: 7 ayes.

## **10. Report of Treasurer**

Mr. Lauseng reported that the document provided to members is the actual to date for the biennium and the last two months are projections. The previous director had inaccurately properly projected the revenue for the biennium, however, as long as the Board stays within budget we can move money between line items.

Overall, revenues are projected to be just over the predicted amount which does not include an expected \$47,000 in additional imminent civil penalty payments due before the end of the biennium. We expect to end up at about \$10,000 under the total spending limitation cap of \$2,304,102 for the two-year budget period ending June 30, 2015. The main contributing factors for the for the very small remaining spending limit are the attorney fees used for the Acarregui matter and a unit of the Department of Administrative Services which just recently sent an unbudgeted invoice billing for 22 months in arrears for services back to July 1, 2013.

Next year the costs will be much higher for state government service charges. The OSCPA significantly helped the Board by spearheading raising fees this legislative session, although there is still a lot of pressure to find savings and/or alternatives, and the need to work through administrative rule changes with fee increases that mirror those fee increases raised by statute.

**16. CPE Committee**

**A. Minutes of April 28, 2015**

For Board information only.

**B. Recommendations for Approval (Municipal Auditor Licenses)**

1. Amy Zarosinski

BOARD ACTION: Moved by Mr. Wright and carried to approve the municipal auditor application for Ms. Zarosinski.

VOTE: 7 ayes

Mr. Crackenberg advised the Board that the CPE committee is working on modifying the municipal auditor application to allow better understanding by the applicants on which courses will qualify for a municipal license.

**17. Qualifications Committee**

**A. Minutes of May 5, 2015**

Minutes were provided for Board information only.

**B. Recommendations for Approval (CPA License)**

1. Gerald Adams
2. Ryan Bennett
3. Ryan Dunlap
4. Wendy Jones
5. Jesse Kintz
6. Benjamin Kurey
7. Cathye Mason
8. Weston Penkert
9. Jonathan Trtek

BOARD ACTION: Moved by Mr. Graham and carried to approve the applicants listed above for a CPA license in Oregon.

VOTE: 7 ayes.

Mr. Graham noted that the Qualifications committee now has 11 members, several which are new. Mr. Graham was responsible for recruiting all the new members and they are high caliber individuals. The committee is charged with reviewing applicants who gained their experience in industry. The committee is looking for applicants to show the decision making process and tell the committee what they have researched and learned through that process. The committee thoroughly reviews each application and many times defers approval pending additional information. On the flip side of that are the attest and tax experience candidates. Chair Brown commented that it is likely that once the Board approves an applicant, other applicants will use their write-up as a template and it will become a cut and paste exercise.

Mr. Graham commented how difficult it is to approve applicants who work a couple of tax seasons and then we issue a full CPA license. Ms. Fast commented that if the Qualifications committee reviewed tax applicants that it is likely none would be approved, simply for the lack of a broad base of experience.

For the applicants that gain experience in a public accounting firm performing attestation work, most firms will not sign off on the experience for 2 or 3 years. If you consider that a first year audit applicant will not even cover risk assessment until at least 2 or 3 years in. The Laws and Rules committee should consider revisiting the paths of licensure in the future.

## **18. Ratification Requests**

### **A. CPA Certificates/Permits**

Since the last Board meeting there have been 59 CPAs licensed.

BOARD ACTION: Moved by Mr. Graham and carried to approve the 59 listed CPAs for licensure.

VOTE: 7 ayes.

### **B. Firm Registrations**

Since the last Board meeting 22 firms have been registered.

BOARD ACTION: Moved by Mr. Graham and carried to approve the 22 firms listed for registration.

VOTE: 7 ayes.

## **19. CPA Examination**

### **A. Top Scores 2014-15**

The Board was provided a list of the top 10 scorers on the CPA examination. Nicholas Dollar was the top score and also was awarded the Elijah Watt Sells recognition.

### **B. Candidate Performance – 1<sup>st</sup> Quarter Test Window 2015**

Oregon scores fell this quarter for unknown reasons. Ms. Fronk asked Mr. Graham if schools education the students on how to pass the exam. Mr. Graham replied that they do not focus on preparing their students for entry level positions, but rather teach them to think critically.

## **21. Communication Plan / Fee Increases**

The Board was presented with an outline plan to communicate to our licensees the fee increases. The plan was devised with input from the OSCPA and Board staff. The roll-out of communication will begin on August 1<sup>st</sup> when the society publishes their monthly bulletin and the Board will follow up with an email blast, web postings and social media posts.

## **22. Administrative Rules**

### **A. Proposed Rule Amendments – early drafts**

Mr. Lauseng announced that the Laws and Rules committee is now in Phase 2A and soon Phase 2B. Basically phase 2A address the fee increases by rule and smaller administrative changes to rule recommended by staff and the pieces of SB 272 that have an emergency clause that puts them in effect upon signage by the Governor. Phase 2B will handle the more contentious policy issues that need to be address in rule and the remaining items in SB 272. The Laws and Rules committee will review the draft amendments at their meeting on June 4, 2015.

Proposed amendments to Division 005 include modification to the definition of attest to conform with SB 272. Mr. Brown would like the Board to consider the concept of “Retired Partner”. However, that would most likely depend on how the Board defines “professional services”. Ms. Bischoff advised the Board that it needs to consider conflict of interest for the Board members who are nearing retirement. Mr. Pittioni noted that there is a disconnect at the NASBA level and with the UAA at the statutory level where the retired piece does not line up.

Mr. Brown recalled that when retired status was created, it was meant to be totally retired and do nothing from compensation. If that is what the Board still wants, that is fine, but the nature of retirement is changing and he is in favor of allowing a broader latitude for “retired”.

The Board had no other comments and looks forward to reviewing the amendments after the Laws and Rules committee has reviewed.

## **23. Peer Review**

### **A. Peer Review Summit**

Ms. Fronk will be attending the national PROC summit in Nashville as well as Jessie Bridgham, past Board member and current active member of the Board’s PROC and BOACC.

### **C. Committee Update**

Mr. Roy Rogers' term on the committee has expired. Consideration has been given on allowing him to continue as a member, however there is no Board history on allow an extension to an expired term. The Board believes that the current committee will suffice without continued service of Mr. Rogers.

**B. Update from OSCP – Phyllis Barker**

Ms. Barker advised the Board that the AICPA has recently released a report on how to handle failed peer review reports and the communication to firms regarding a failed review. If a firm receives a pass with deficiency review and their next review results in a fail, they are closely monitored.

The Department of Labor's project regarding firms who perform ERISA audits has resulted in increased monitoring. Of the 233 firms who performed ERISA audits, 133 were referred to the AICPA. The representations of firm practice when they start peer review need to be checked to ensure the peer reviewer picks an appropriate sample of their work. There were apparently several firms on the East coast that did not disclose that they performed ERISA audits during the peer review selection and are now under investigation.

Mr. Brown stated that this is consistent with his committee work with NASBA.

**24. Adjournment**

Mr. Brown adjourned the meeting at 11:23 a.m.