

OREGON BOARD OF ACCOUNTANCY  
Minutes, December 7, 2009

Board of Accountancy Office

Salem, Oregon

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

**Board Members Present**

James Gaffney, CPA (chair)  
Roberta Newhouse, CPA  
Jessie Bridgham, CPA  
Stuart Morris, PA (departed at 12:20 pm)  
Kent Bailey, CPA  
Eric Lind, Public Member

**Excused**

Ray Johnson, CPA (vice-chair)

**Board Staff**

Pat Hearn, Executive Director  
Noela Kitterman, Investigator  
Kimberly Bennett, Committee Coordinator  
Joyce Everts, Committee Coordinator  
Heather Shepherd, Committee Coordinator

**Guests Attending**

Cheryl Langley, OSCPA  
Nichole Kobliha, CPA, OSCPA  
Kyle Martin, AAG, Esq.  
Randy Weatherhead (phone)  
Mark Friedman, Esq. (phone)  
Gary Reynolds, CPA (phone)  
Roy Rogers, CPA (phone)  
Parry Ankersen, CPA  
Mark Friel, Esq. (phone)  
Cheryl Giddy (phone)  
Kristy Langworthy, CPA Applicant  
Jim Nelson, Director/Finance Goodwill  
Michele Henney, CPA Lic. Supervisor

1. CALL TO ORDER

Chair Gaffney called the meeting to order at 8:00 a.m., appointed Roberta Newhouse as Process Observer and introduced guests.

2. APPROVAL OF MINUTES

A. October 4, 2009 Work Session

BOARD ACTION: Moved by Morris and carried to approve the minutes of October 4, 2009 Work Session.

VOTE: 6 ayes

B. October 5, 2009 Board Meeting

BOARD ACTION: Moved by Morris and carried to approve the minutes of October 5, 2009 Board Meeting.

VOTE: 6 ayes

3. REPORT OF CHAIR

Mr. Gaffney did not have any items to directly report on. Mr. Gaffney reminded the Board members that he would complete 9 years on the Board on December 31, 2009. Ms. Ann Ferguson will fill the vacancy. Mr. Gaffney thanked Mr. Morris for continuing to serve on the Board as his term expired in December 2008.

4. REPORT OF VICE CHAIR

No report was given as Vice-Chair Johnson was excused from the meeting.

5. REPORT OF TREASURER

Roberta Newhouse stated that total revenues for the first four months of the 2010-2012 biennium are under projection by \$6,957. The total expenses for the first four months of the biennium are under projection by \$11,505.

6. COMPLAINTS COMMITTEE

A. Acceptance of Minutes of November 6, 2009

BOARD ACTION: Moved by Morris and carried to accept the minutes.

VOTE: 6 ayes

B. Complaint Investigations

- |    |                 |           |
|----|-----------------|-----------|
| 1. | Consent Agenda  |           |
| a. | Chris Mahr      | 08-07-023 |
| b. | Carol Bopp      | 08-12-037 |
| c. | Joseph Centanni | 08-12-041 |
| d. | Sheila Lamvik   | 09-041CNK |
| e. | Marie Lockwood  | 09-042CNK |

BOARD ACTION: Moved by Bailey and carried to accept the consent agenda.

VOTE: 6 ayes

C. Investigations for Discussion

- |    |                      |           |
|----|----------------------|-----------|
| 1. | Parry Ankersen       | 06-06-040 |
| 2. | Pauly Rogers & Co PC | 06-06-040 |

Contract investigator, Cheryl Giddy, reviewed the case.

Giddy's investigation of the complaint included a review of Pauly Rogers and Co. audit work papers of the City of West Linn for the periods ending June 30, 2001 through June 30, 2004. They also reviewed the report by Financial Forensics issued on October 12, 2006. They conducted interviews with Roy Rogers, Partner at Pauly Rogers and Co., Parry Ankersen, CPA, Chris Jordan, City Manager, City of West Linn and Darrell Dorrell at Financial Forensics.

Parry Ankersen was present at the Board meeting. Roy Rogers of Pauly Rogers and Co. and Cheryl Giddy, contract investigator with Harris & Co., P.A., joined by phone conference.

Parry Ankersen:

*Board Discussion:* Parry Ankersen addressed the Board and acknowledged that he failed to follow professional standards, he wishes to settle this matter post haste and he respectfully requested the recommended civil penalty of \$15,000 be reduced. The Board discussed license restrictions, completion of audits in process with cold reviews of each audit and continuation as a peer reviewer.

BOARD ACTION: Moved by Bailey and carried to assess a \$10,000 civil penalty (\$5,000 each for years 2002 and 2003); permanently prohibit Mr. Ankersen from signing audit engagements; prohibit conducting peer reviews; may complete the audits in process with cold reviews of each audit; may issue reviews and compilations. Any violation of the stipulation and order will result in license revocation.

VOTE: 6 ayes

Pauly Rogers & Co PC:

*Board Discussion:* The audit reports that Ankersen signed were on Pauly Rogers & Co., letterhead. Roy Rogers, CPA, of Pauly Rogers & Co. PC should have known that a second review of Mr. Ankersen's audit work would be prudent. Although Mr. Ankersen performed the West Linn audit, Pauly Rogers & Co. PC employed him.

BOARD ACTION: Moved by Morris and carried to assess a \$2,000 civil penalty (\$1,000 each for years 2002 and 2003).

VOTE: 6 ayes

3. William Cote 08-08-025

On Cote's June 30, 2008 renewal application, he stated that he was subject to disciplinary action by the American Institute of Certified Public Accountants (AICPA), Technical Standards Subcommittee, AICPA Ethics Division. The disciplinary action occurred as a result of an audit report Cote issued for a Head Start agency (Agency).

*Board Discussion:* The respondent signed a proposed settlement offer for the Board's approval. The proposal imposes 31 hours of CPE for violation of OAR 801-030-0010(2), Auditing Standards (2005 Edition). The Board noted that, when there are issues with the quality of a review, the Board requires a pre-issuance review.

BOARD ACTION: Moved by Bailey and carried to accept the proposed settlement with the addition of one (1) pre-issuance review.

VOTE: 6 ayes

4. Frederick Fischer 09-053CNK

Frederick Fischer, CPA (Inactive) is employed as the chief financial officer of a business that provides clients with securities and investment advice. Fischer's biography, on employer's internet website, displayed the "CPA"

designation after Fischer's name. The biography did not indicate "inactive" or "retired" either before or after the CPA designation.

Fischer did not disclose to the Board on his renewal application for the period July 1, 2003 through June 30, 2005 that he had received referral fees.

*Board Discussion:* Mr. Fischer changed the website to indicate inactive status and responded to the Board in a timely manner.

**BOARD ACTION:** Moved by Bailey and carried to accept the committee recommendation and assess a \$1,000 civil penalty for violation of OAR 801-010-0120(3), Use of CPA designation while inactive; \$250 civil penalty for violation of OAR OAR 801-030-0005 (3)(a) Failure to notify the Board of commissions or referral fees.

**VOTE:** 6 ayes

5. Perkins & Co. 06-01-001; Gary Reynolds 06-01-005B; James Jeddelloh 06-01-001; Alan Griffith 06-01-005C.

Mark Friedman, Esq. and Gary Reynolds, CPA arrived at the meeting at 11:00 am. Randy Weatherhead, Contract Investigator and Mark Friel, Esq. participated via conference call. Mr. Gaffney recused himself from discussion and from voting as he and Mr. Reynolds were partners from 1987 to 1993.

The Board reviewed a proposed settlement agreement as follows:

Gary Reynolds agrees to pay a civil penalty of \$2,000 as follows:

- \$1,000 for violation of ORS 674.345 in connection with the 1999 transaction
- \$1,000 for violation of OAR 801-030-0005(2)(A) in connection with the 1999 transaction

Alan Griffith agrees to pay a civil penalty of \$4,000 as follows:

- \$1,000 for violation of ORS 673.345 in connection with the 1999 transaction
- \$1,000 for violation of OAR 801-030-0005(2)(A) in connection with the 1999 transaction
- \$1,000 for violation of ORS 673.345 in connection with the 2000 transaction
- \$1,000 for violation of OAR 801-030-0005(2)(A) in connection with the 2000 transaction

James Jeddelloh agrees to pay a civil penalty of \$2,000 as follows:

- \$1,000 for violation of ORS 673.345 in connection with the 1999 transaction

- \$1,000 for violation of OAR 801-030-0005(2)(A) in connection with the 1999 transaction

Perkins & Co. P.C. agrees to pay a civil penalty of \$4,000 as follows:

- \$1,000 for violation of ORS 673.345 in connection with the 1999 transaction
- \$1,000 for violation of OAR 801-030-0005(2)(A) in connection with the 1999 transaction
- \$1,000 for violation of ORS 673.345 in connection with the 2000 transaction
- \$1,000 for violation of OAR 801-030-0005(2)(A) in connection with the 2000 transaction

*Board Discussion:* The Board had questions about the issues of receiving commissions versus 'value billing'; knowingly versus unknowingly violating the statute and independence. The Board concurred that they need copies of the following additional information: the 1999 and 2000 engagement letters, the deposition testimony, the 1999 and 2000 laws and rules, Perkins billings to BDO and to client and 1999 audit report.

BOARD ACTION: Moved by Bailey and carried to request the investigator to ask for the additional information and return the case to the Complaints Committee for review and recommendation.

VOTE: 4 ayes, (Gaffney abstained, Morris absent)

#### D. New Complaint Committee Members

The Complaints Committee needs two new members. The Committee recommended three licensees for the Board to consider.

BOARD ACTION: Moved by Bailey and carried to request staff to invite Gregson Parker, CPA and Mark J. Fahey, CPA to join the Complaints Committee.

VOTE: 6 ayes

### 7. PROPOSED CASE SETTLEMENTS

#### A. Merina & Co. 07-07-020; John Merina 09-06-CNK; Kamala Austin 09-07-CNK

The Board reviewed a proposed settlement agreement. The Board approved the settlement agreement with the deletion of paragraphs 9.6, 9.8 and 9.9. The proposed terms and conditions are as follows:

Merina & Co. LLP: Stipulation and Order assessing a \$15,000 civil penalty; pre-issuance review on 20% of all audits performed for 18 months; and all members of the firm audit team shall complete an additional 40 CPE hours in auditing procedures for violation of OAR 801-030-0010(2), Auditing Standards.

John Merina: Stipulation and Order assessing an additional 40 CPE hours in auditing procedures and pre-issuance review on 20% of all audits performed for 18 months for violation of OAR 801-030-0010(1), Auditing Standards.

Kamala Austin: Stipulation and Order assessing an additional 40 CPE hours in auditing procedures and pre-issuance review on 20% of all audits performed for 18 months for violation of OAR 801-030-0010(1), Auditing Standards.

BOARD ACTION: Moved by Bridgham and carried to accept the settlement agreement with the deletion of paragraphs 9.6, 9.8 and 9.9.

VOTE: 5 ayes (Morris absent)

B. Ron Harmening 09-048CNK

The respondent signed a proposed negotiated settlement for the Board's approval. The proposal imposes a civil penalty in the amount of \$7,500, payable in monthly installments for 36 months. The amount of civil penalty will be reduced to \$5,000 if Mr. Harmening pays that amount in full on or before May 1, 2010.

BOARD ACTION: Moved by Bailey and carried to accept the settlement offer as presented.

VOTE: 5 ayes (Morris absent)

C. Alice Chaloux 08-07-020

The respondent signed a proposed settlement agreement for the Board's approval. The proposal imposes a \$2,000 civil penalty, 24 hours of CPE and pre-issuance reviews.

BOARD ACTION: Moved by Bailey and carried to accept the settlement offer as presented.

VOTE: 5 ayes (Morris absent)

## 8. REPORT OF EXECUTIVE DIRECTOR

A. On-line licensing project

Mr. Hearn reported on his meeting with GL Suites. This program does not run on Macintosh computers. The Board would need to purchase PC's before the on-line licensing project could begin. Pricing options included with this company would be an initial cost to set-up the program and then a monthly service fee. Mr. Hearn will have to talk with other potential vendors before the Board selects a source.

Mr. Hearn will present the Board with additional information at the February Board meeting.

B. Proposed Administrative Rules

1. Division 001

BOARD ACTION: Moved by Bailey and carried to accept the amendments to Division 001.

VOTE: 6 ayes

2. Division 005

The proposed revisions included a new license status and definition for “retired” and a modification of the definition for “inactive” status. Retired status would be for licensees who do not intend to ever re-enter the profession. Mr. Martin had concern with regard to having age as a criteria for such a status.

Inactive status was modified to clarify what services an inactive license can and cannot perform. The OSCP was concerned that, if enacted too soon, many licensees would be found in violation.

The Board concurred to not act on these two amendments until the full Board is available for discussion. Members also mentioned that plenty of notice will need to be provided to licensees so that they can be sure they are in compliance with the new rules.

The other revisions to this rule are a result of the mobility legislation.

BOARD ACTION: Moved by Newhouse and carried to adopt the revisions to Division 005 without the amendments relating to inactive status and retired status.

VOTE: 6 ayes

3. Division 010

Division 010 is being modified to include revisions necessary after the passage of the mobility legislation. Transitional language relating to the CPA examination was deleted as it is no longer necessary.

BOARD ACTION: Moved by Morris and carried to adopt the revisions to Division 010.

VOTE: 6 ayes

4. Division 020

Revisions to Division 020 include language to allow individuals who practice in the State of Oregon under mobility the opportunity to apply for a municipal auditor license.

BOARD ACTION: Moved by Bridgham and carried to adopt the revisions to Division 020.

VOTE: 6 ayes.

5. Division 030

The proposed revisions to Division 030 are a result of the mobility legislation. The changes pertain to firms with plural names who fall under this legislation.

BOARD ACTION: Moved by Bridgham and carried to accept the revisions to Division 030 as presented.

VOTE: 6 ayes.

6. Division 040

Proposed revisions to Division 040 remove references to substantial equivalency.

BOARD ACTION: Moved by Bridgham and carried to accept the revisions to Division 040.

VOTE: 6 ayes.

7. Division 050

Proposed Division 050 revisions are to adhere to the 2009 AICPA Standards for Performing and Reporting on Peer Review.

BOARD ACTION: Moved by Bridgham and carried to accept the revisions to Division 050.

VOTE: 6 ayes.

C. CPE Credit for Board Committee Work

The Executive Director received an inquiry from a committee member about the Board giving continuing professional education credit for serving on a Board committee. The licensee noted that NASBA gives CPE credit for attendance at the regional and annual meetings and the OSCA gives CPE credit for the Tour Stop meetings.

*Board Discussion:* The Board deferred discussion to the 2010 Spring Work Session and requested that staff research the discussion of same in the Board minutes of the past five years.

D. Richard Harris, CO-07-001

From the May 18, 2009 Board minutes:

Mr. Harris entered into Consent Order CO-07-001 on February 26, 2007. The Consent Order assessed a civil penalty in the amount of \$10,000 and 32 hours of CPE. \$6,000 of the civil penalty was stayed subject to satisfactory completion of all requirements of the Consent Order. The CPE requirements were to be completed on or before September 30, 2007 and proof of completion submitted to the Board on or before October 31, 2007. To date the required CPE has not been received in the Board office.

BOARD ACTION: Moved by Johnson and carried to issue Notice suspending CPA license and permit 5405 until the CPE required in CO-07-001 is complete and payment of the \$6,000 stayed civil penalty.

VOTE: 7 ayes

The Board sent Mr. Harris a Notice of Proposed License Suspension and Civil Penalty. Mr. Harris paid the \$6,000 civil penalty on October 7, 2009. Mr. Harris also submitted the evidence of completion of required CPE programs. Mr. Harris did not have the CPE programs pre-approved prior to completing the courses.

*Board Discussion:* The Consent Order required that the CPE programs be pre-approved. Mr. Harris did not submit his programs for pre-approval. The personnel program required in the Consent Order is not directly related to the accounting field and has been difficult to complete as a live course. The program Mr. Harris completed is from a NASBA QAS provider but the program does not qualify as a QAS program since it is a non-technical subject matter.

BOARD ACTION: Moved by Bailey and carried to accept the program *I'm Suppose to supervise these people* for the purpose of complying with Consent Order CO-07-001.

VOTE: 5 ayes, 1 absent (Morris)

9. PUBLIC COMMENTS

None

10. REPORT OF OAIA

A representative of the OAIA was not present.

11. REPORT OF OSCPA

Ms. Koblaha reported that the OSCPA had completed this years *Tour Stops*. The OSCPA thanked the Board members and Executive Director for participating. The members provided great feedback. Ms. Koblaha reported that Mr. Mark Cruzan would fill the OSCPA Board vacancy created when Ms. Ann Ferguson resigned her position to join the Oregon Board of Accountancy.

12. OLD BUSINESS

A. Pre-Issuance Task Force Update

Mr. Bailey reported the finalization of the *Independent Accountant's Report on Applying Agreed-Upon Procedures* Letter and the pre-issuance review process.

B. Oswald West Award

Mr. Gaffney and Mr. Hearn recently went to Bend to present the Oswald West Award to the family of Ms. Lynne England.

13. CONTINUING PROFESSIONAL EDUCATION

A. Acceptance of Minutes of November 17, 2009

BOARD ACTION: Moved by Bailey and carried to accept the minutes of November 17, 2009.

VOTE: 5 ayes, 1 excused (Morris)

B. Municipal Auditor Applications

1. Jason Bruce Kirkpatrick
2. Maria Myers
3. Rebecca Long
4. Cynthia Plouf

BOARD ACTION: Moved by Bailey and carried to approve the Municipal Auditor Applications.

VOTE: 5 ayes, 1 excused (Morris)

C. COMMITTEE MEMBERSHIP

Mr. Greenlees will be on sabbatical during 2011.

BOARD ACTION: Moved by Bailey and carried to re-appoint the current members of the CPE Committee.

VOTE: 5 ayes, 1 excused (Morris)

D. MUNICIPAL AUDITOR APPLICATION FEE

*Board Discussion:* If an applicant is denied admission to municipal auditors roster, the fee paid is refunded. The Board wants to be consistent with all applications. The Board directed staff to prepare an administrative rule notice for the next rule review time, which will include a non-refundable application fee at \$100 and permit fee of \$100. The fee would be paid at the time of application.

BOARD ACTION: Moved by Bailey and carried to prepare an administrative rule notice for OAR 801-010 during the next rule review which will include a non-refundable

application fee of \$100 and permit fee of \$100 for admission to the municipal auditor roster.

VOTE: 5 ayes, 1 excused (Morris)

#### 14. PEER REVIEW OVERSIGHT COMMITTEE

##### A. Acceptance of Minutes of November 17, 2009

BOARD ACTION: Moved by Bridgham and carried to accept the November 17, 2009 Peer Review minutes.

VOTE: 5 ayes, 1 excused (Morris)

##### B. Recommendations

###### 1. Approve AICPA Peer Review Program for 2010

BOARD ACTION: Moved by Bridgham and carried to approve the AICPA Peer Review Program for 2010

VOTE: 5 ayes, 1 excused (Morris)

###### 2. Approve OSCP A Peer Review Program for 2010

BOARD ACTION: Moved by Bridgham and carried to approve the AICPA Peer Review Program for 2010

VOTE: 5 ayes, 1 excused (Morris)

#### 15. QUALIFICATIONS COMMITTEE

##### A. Acceptance of Minutes of November 18, 2009

BOARD ACTION: Moved by Newhouse and carried to accept the minutes from the Qualifications Committee

VOTE: 6 ayes.

##### B. Consent Agenda

###### 1. Recommendations

- a. Elizabeth Schultz
- b. Paul Truzzolino
- c. Adam Kendall
- d. Michele Stacona

###### 2. Approval of Applications

- a. 53 CPA Certificates
- b. 0 PA Licenses
- c. 10 Firm Registrations

##### C. Applications for Discussion

###### 1. Kristy Langworthy (in person)

(From the November 18, 2009 Committee meeting minutes)

Committee Discussion:

All committee members struggle with the idea that, with only a total of 12 hours of direct supervision, the supervisor licensee was able to sign off on all seven-core competencies. Although a contact was drafted to meet the rules, it did not meet the intent of the rules. If the committee follows the rules as written, the applicant has met the requirements to become licensed, all competencies met, supervised by a qualified licensee etc. The committee would like guidance from the Board on how to interpret the rules in these circumstances.

Board Discussion:

While the intent of the rules for supervision was not to allow such a small amount of supervision, it meets the letter of the law. The Board recognizes that the rules for certification need to be reviewed and modified so that this situation does not present itself in the future.

BOARD ACTION: Moved by Newhouse and carried to approve the application for certification.

VOTE: 6 ayes

2. Vivek Singh

(From the November 18, 2009 Committee meeting minutes)

Mr. Singh passed the CPA exam on May 25, 2009. Ms. Gentner reviewed this file and had concerns over the supervisory relationships between the applicant and the supervisor licensees.

Mr. Singh works as an information systems auditor. It was suggested to him that he seek a certificate in that field. The committee indicated that it will be difficult to prove competencies when that is the field he currently works in. The committee questioned the reason for seeking licensure in Oregon rather than Illinois. Mr. Singh indicated he would look into that option.

BOARD ACTION: Moved by Newhouse and carried to accept the committee recommendation to deny the application for certification.

VOTE: 6 ayes.

3. Ethel Gallares

(From the November 18, 2009 Committee meeting minutes)

Ms. Gallares passed the CPA exam on May 28, 2008. The applicant had several supervisors during her time of employment; however, only one person qualified as a supervisor licensee.

Staff sent a letter asking for further detail regarding the supervisory relationship. A response was received, which only gave the committee additional concern as to the direct relationship between the supervisor and the applicant.

The committee voted to deny the application for certification for Ms. Gallares based on a lack of evidence that the supervisor licensee that signed off on experience directly supervised the applicant.

BOARD ACTION: Moved by Newhouse and carried to accept the committee recommendation.

VOTE: 6 ayes.

16. CPA EXAM  
No items
17. CODE OF PROFESISONAL CONDUCT  
No meeting held
18. NEW BUSINESS  
A. Reciprocity application of Meiliang Fu

The application for Meiliang Fu was brought to the Board's attention due to the unusual circumstances related to his application. Mr. Fu applied for certification in Oregon in September 2008. His application was denied administratively for lack of competencies. He withdrew the application. In July 2009, Mr. Fu obtained a CPA license in the state of Illinois and one week later, reapplied in Oregon under the reciprocity provisions.

This candidate is currently living and working in Canada. He took the CPA examination in the state of Illinois.

The Board will discuss [at the May work session] modifications to the rules and the possibility of only allowing reciprocity to those who have been actively licensed in their home sate for at least x number of years.

- B. Confirm 2010 Board Meeting Dates:

February 8  
March 29 (phone conference)  
May 16 & 17  
June 28 (phone conference)  
August 16  
October 3 & 4  
December 6

The dates provided were confirmed.

C. Election of 2010 Officers

Kent nominated Roberta Newhouse who is currently serving as the Board Treasurer, the Vice Chair position and to elect Jessie Bridgham as the new Board Treasurer.

BOARD ACTION: Moved by Kent to approve the nominations as stated above.  
VOTE: 6 ayes

D. Appointment of 2010 Committee Liaisons

This item was deferred as incoming Chair Johnson was absent.

19. PROCESS OBSERVER REPORT

The meeting started very timely although we had to jump around a little. The Board was able to accommodate in person guests as well as the guests who chose to phone in. Very effective and efficient meeting.

20. NEXT MEETING	Date:	February 8, 2010
	Location:	Board Office
	Time:	8:00 a.m.