

OREGON BOARD OF ACCOUNTANCY
BOARD MINUTES
February 7, 2011

Board of Accountancy

Board Room

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*
Kent Bailey, CPA
Al Crackenberg, PA
Ann Ferguson, CPA
Dr. Roger Graham, *Public Member (out at 12:45 pm)*

BOARD STAFF:

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

GUESTS:

Cheryl Langlely, OSCP Representative
Debbie Hollingsworth, CPA, OSCP Representative
Sam Carey
John Merina
Carol VanHouten/Judy Alexander, CA Atty.
John Gregor/Randy Turnbow, Atty. (*by phone at 9:00 a.m.*)
Bob Keller/Joel Wilson, Atty. (*9:30 a.m.*)
Jennifer Tan/Alison Rhodes, Atty (*by phone at 10 a.m.*)

EXCUSED:

Jessie Bridgham, CPA, *Treasurer*

1. CALL TO ORDER

Chair Johnson called the meeting to order at 8:33 a.m., and announced the meeting was being recorded. Kent Bailey was asked to serve as process observer for this meeting. Representatives from the OSCP were welcomed as well as the other guests.

2. APPROVAL OF MINUTES – December 6, 2010

BOARD ACTION: Moved by Mr. Bailey and carried to accept minutes as written.
Vote: 5 ayes, 1 abstention (Newhouse)

3. REPORT OF CHAIR

A. Committee Assignments

Chair Johnson announced that the Board liaison assignments for 2010 will remain in effect for 2011, with the exception of Roger Graham, who has been assigned to the Code of Professional Conduct Committee.

B. HB 2067

House Bill 2067 is the Board's confidentiality bill. This bill provides that information developed or obtained by the Board as part of an investigation is confidential until notice is issued for a contested case hearing or the matter investigated is finally resolved by Board action or consent order.

Mr. Hearn, along with Steve McConnel from the OSCP spoke to members of the

committee on February 4, asking for their support. The hearing on this bill is scheduled for February 8, 2011 and Chair Johnson and Pat Hearn will present testimony supporting the bill.

C. UAA Exposure Draft

The Board reviewed the exposure draft to the UAA pertaining to firm names. This document defines "Network" firms and further clarifies what is and is not misleading in terms of firm names.

The Board sees no issues with the proposed language and has no comments for the exposure draft.

D. Approval of Executive Director's Expense Reimbursements 2010

The Board reviewed a list of the reimbursements made to Pat Hearn during 2010.

BOARD ACTION: Moved by Ms. Ferguson and carried to approve the expenditures reimbursed to Mr. Hearn.

VOTE: 6 ayes

E. Proposed Legislative changes to ORS 673

A legislative concept was put forward for changes to inactive status and lapsed status as discussed at the December 2010 Board meeting. The Board is expecting the concept back sometime this week with final changes.

F. Nominations for NASBA Vice Chair

The Board reviewed nominations for the Vice Chair of NASBA. Nominees included Carlos Johnson, Walter Davenport and Gaylen Hanson. Mr. Hanson's nomination came from the Washington Board of Accountancy. He is from Colorado and has served on the Professional Ethics Executive Committee and has a broad background in the accounting field.

BOARD ACTION: Moved by Mr. Bailey and carried to support the nomination of Gaylen Hanson for NASBA Vice Chair.

VOTE: 6 ayes.

G. Approval of Executive Director travel to NASBA Conference

Mr. Hearn requests approval to attend the Executive Directors Conference on March 6 – 9, 2011 in San Diego, California.

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

VOTE: 6 ayes.

H. SB 5501 – Information only

Senate Bill 5501 is the Board's budget bill. There is a tentative hearing scheduled for February 23, 2011. The Board should be prepared to answer questions about how it would handle a \$300,000 fund sweep.

The Revenue that the Board collects should be used for Board business only, as it is paid by its licensees. Chair Johnson would like the Board to consider a reduction of fees if the Board's fund balance becomes too large.

4. REPORT OF VICE CHAIR

The Spring work session will be held at the Inn at Spanish Head in Lincoln City.

5. REPORT OF TREASURER

Mr. Hearn gave the Treasurer's report in Ms. Bridgham's absence. The cash flow for the Board was reviewed. The Board continues to be within budget.

6. COMPLAINTS COMMITTEE

A. Minutes of January 14, 2011
Information Only

B. Complaint Investigations
Consent Agenda

1. David Davis 10-044CDC

Mr. Davis prepared quarterly and annual reports and a client's 2004 tax return. The IRS found discrepancies on the forms 940EZ and 941. The client alleged that the discrepancies were caused by errors made by Mr. Davis and his staff. Client also blamed Mr. Davis and his staff for the delay in the resolution to the discrepancies. Investigation of this matter resulted in a finding that there was not sufficient evidence to find that Mr. Davis violated the Boards laws and rules.

There was no Board discussion on this case.

2. William T. Grable 10-048CNK

Mr. Bailey asked that this case be pulled from consent agenda for Board discussion.

3. Merina & Company 10-066CNK

The complainant is a member of the Portland Utility Review Board (PURB). The PURB requires contract haulers to submit financial information for review. When the complainant reviewed an independent accountant's report, issued by Merina & Company, LLP, he expected to see an agreed upon procedures report. The report

would have included components of the contract hauler's financial statements. The independent accountant's report stated that, rather than a financial statement, a review service was performed.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendations for the two cases on the consent agenda.

VOTE: 6 ayes.

C. Investigations for Discussion

1. William T. Grable PC CPA 10-048CNK

Mr. Grable, through his firm William T. Grable PC CPA, has provided a client with an annual compilation report since 2004. The compilation service required the firm to enroll and participate in a peer review program. For the three year period ending June 30, 2007, the firm was not enrolled and consequently did not have a timely peer review.

Mr. Grable terminated his membership to the AICPA, which resulted in his firm being dropped from their peer review program. He was unaware that termination of his membership would result in termination of peer review as well.

Mr. Grable immediately enrolled in a peer review program when he discovered that the firm was not enrolled. He also took CPE to become further educated on peer review requirements.

The Complaints Committee found that there was insufficient evidence to find a violation of Board rules; however, Mr. Bailey believes, although Mr. Grable was quick to fix the error, there was indeed a violation.

The investigator, Noela Kitterman recommended that there is insufficient evidence, to find a violation, due to the quick action and the steps he took to remedy the situation.

BOARD ACTION: Moved by Mr. Bailey and carried to find violation of OAR 801-050-0020, with no imposition of penalties.

Discussion: Mr. Crackenberg stated that he would not support the motion. He stated that the Board needs to give credit to the work put forth on the recommendation of the committee. We often take what the committee deliberates on and then re-deliberate on the same issue.

Ms. Ferguson asked Ms. Newhouse to share with the committee that it is acceptable to find a violation and not impose penalties.

VOTE: 4 ayes (Newhouse, Bailey, Ferguson, Johnson), 2 nays (Crackenberg, Graham).

2. Bob Keller

09-069CNK

Mr. Keller was present at the Board meeting with his attorney, Joel Wilson.

Mr. Keller provided tax accounting and tax preparation services for a client and her husband as well as their company. During an audit, the IRS found significant errors in the client's individual and business tax returns.

Mr. Keller relied on information prepared by a bookkeeper who apparently did not have sufficient experience. Mr. Keller states that he has put new work checks in place at his firm to avoid such errors in the future.

The Complaints committee found that there was sufficient evidence to find a violation of Due Professional Care (OAR 801-030-0010(1)(b)). They also found that there was Insufficient evidence for a finding of violation of both Professional Competence (OAR 801-030-0010(1)) and Acting through others (OAR 801-030-0020(3)).

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

Discussion: The Board discussed how many violations should be found. There was one tax return with several errors. The decision was made to find one violation for Due Professional Care.

VOTE: 6 ayes.

3. Robert Bennett

10-082CNK

Mr. Bennett prepared a client's tax returns from 2004 through 2008. The client was selected by the IRS for an audit of their 2007 return. The clients met with the auditor without Mr. Bennett's assistance and only contacted him later to request assistance with the auditor's findings. Mr. Bennett admitted he did not respond to the clients regarding the IRS audit or their e-mail correspondence.

BOARD ACTION: Moved by Ms. Newhouse to find that there is sufficient evidence to find a violation of Due Professional Care.

Discussion: The complaints committee added professional misconduct to the findings for Mr. Bennett's non-response to client e-mails. Mr. Hearn expressed that Mr. Bennett indicated that he told his clients that he would represent them after the tax season. The clients did not want to wait until after the tax season and represented themselves.

Ms. Bischoff recommends finding one violation rather than two. A finding of violation for due professional care takes care of a finding of violation for professional misconduct. One violation covers the 'act'.

VOTE: 6 ayes

BOARD ACTION: Moved by Dr. Graham and carried to find that there is insufficient evidence to find a violation of Professional Misconduct.

VOTE: 6 ayes.

4. Jennifer (Jenni) Tan

10-096CNK

Ms. Tan and her attorney, Alison Rhodes joined by telephone.

Ms. Tan campaigned for a seat on the West Linn City Council in the 2010 election. She indicated on some of the campaign flyers and in a newspaper advertisement that she was a CPA. Ms. Tan does not have an Oregon license and holds an "inactive" license in California. Ms. Tan has not practiced for many years and was not aware of the rules. She has been very cooperative during the investigation process.

The Complaints committee found that there was sufficient evidence to make a preliminary finding of violation of use of CPA designation without an active license.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation that Ms Tan violated ORS 673.20(3).

Discussion: Ms. Rhodes reiterated that Ms. Tan did not intentionally violate the rules; she was just unaware of the rules.

VOTE: 6 ayes.

5. Daniel Wilson

10-106CNK

The Board received information that indicated Mr. Dan Wilson had used the CPA designation while his license was lapsed and that he was performing public accounting services without registering a firm or enrolling in peer review.

Mr. Wilson indicated, on a firm renewal form, that he was enrolled in peer review. Mr. Wilson's individual license lapsed and therefore, his firm was terminated as a result. He requested a waiver of the \$5,100 civil penalty imposed due to his lack of enrollment in a peer review program and failure to respond. The Board denied that waiver.

BOARD ACTION: Moved by Newhouse and carried to find there is sufficient evidence to make a preliminary finding on ORS 673.320(1)(a), providing review and compilation services for or issuing a report on financial statements without registering a firm; ORS 673.320(3), use of the CPA designation without being in active status following the June 30, 2010 renewal period; OAR 801-050-0020, Failure to enroll and participate in a peer review program from 2006 through November 23, 2010; and OAR 801-030-0020(1), Professional misconduct for making false or misleading statements on three firm renewals from 2006 through 2010.

Discussion: The actions of this individual are very egregious. He willfully deceived the Board. A term of suspension is appropriate in this matter.

VOTE: 6 ayes.

Rosalina Wong submitted false and misleading continuing professional education information on her 2010 license renewal application. Ms. Wong admitted to the allegations.

Ms. Wong was randomly selected in the 2010 CPE audit. The Board requested Ms. Wong submit proof of completion for all of the CPE courses listed on her renewal form. It was found that Ms. Wong did not take into account the lunch hours for three one-day, 8-hour courses. Further review determined that only 72 were qualified hours. This caused Ms. Wong to be assessed a 16-hour CPE penalty.

Ms. Wong was given until December 15, 2010 to complete the additional hours. Ms. Shepherd, Board staff, contacted the CPE provider and found out that, not only did they not have record of Ms. Wong taking CPE courses, the documentation she provided as proof is falsified.

Ms. Wong was issued a Notice of Suspension for failure to comply with CPE requirements and a letter alleging professional misconduct for false and misleading information. Ms. Wong sent a response by email stating "I accept the allegations on both cases without contest."

BOARD ACTION: Moved by Ms. Newhouse and carried to accept committee recommendation that there is sufficient evidence to make a preliminary finding of a violation of OAR 801-030-0020(1), Professional misconduct.

Discussion: The Board did not have much discussion as the facts are clear and the licensee admitted to the allegations. The Board would like to amend the Notice to include allegations of professional misconduct and intent to revoke.

VOTE: 6 ayes.

D. Complaints Committee Annual Report

The Board reviewed the annual report for the Complaints Committee. The board reviewed 43 complaints in calendar year 2010. The dispositions of the 43 cases included:

22 Closed with no violation	3 Additional CPE
22 Civil penalties	2 Pre-Issuance Reviews
3 Suspensions	4 Revocations
4 Cease & Desist Orders	2 Restricted Practices

7. PROPOSED CASE SETTLEMENTS

A. O'Donnell & Associates

10-034AHS

The Board requested that the firm O'Donnell & Associates provide the most recent System Review Acceptance Letter(s), or Engagement Review Acceptance Letter(s) received from the Peer Review program sponsor as well as the related completion

letter. The Board's request letter was returned by the post office. The Board issued a Notice of Proposed Imposition of Civil Penalties. The firm requested a hearing and then submitted the required documents to the Board office. The proposed order reduces the fine to \$1,000 (from \$5,100).

BOARD ACTION: Moved by Mr. Bailey and carried to accept the Proposed Stipulation and Order.

VOTE: 6 ayes.

B. Jacolyn Wheatley 10-06CNK

Ms. Wheatley registered as a firm with the Board office in May 2006. The firm application indicated that she would be performing attest work and therefore would need to enroll in a peer review program. Ms. Wheatley indicated on the application and subsequent renewals that she either had not yet enrolled in or obtained a peer review.

Ms. Wheatley is currently working in private industry and has indicated to the Board that she does not intend on re-entering the public accounting arena.

Mr. Hearn negotiated a proposed Stipulation and Order, which has been signed by Ms. Wheatley, that requires she pay a \$3,500 civil penalty for violation of OAR 801-050-0020, peer review enrollment and participation. If Ms. Wheatley offers public accounting services to a client, she must notify the board and complete additional CPE and have her first two engagements subject to pre-issuance reviews.

BOARD ACTION: Moved by Ms. Ferguson and carried to accept the Stipulation and Order presented.

VOTE: 6 ayes.

C. Todd Gray 09-081CNK

Mr. Gray represented to a company that he was an active CPA. He modified his ex-wife's certification letter to show his name as evidence of his license. The Board discussed this case at their meeting in August 2010 and recommended a civil penalty with cease and desist order.

Mr. Hearn negotiated a Stipulation and Order, which has been signed by Mr. Gray in January 2011. The terms and conditions of the order specify that Mr. Gray cease and desist from using any form of the CPA designation, pay civil penalties in the amount of \$5,000. Mr. Gray will make payments through automatic deduction from his bank account on a monthly basis beginning March 15, 2011.

BOARD ACTION: Moved by Mr. Bailey and carried to accept the proposed Stipulation and Order.

VOTE: 6 ayes.

D. Carol VanHouten

10-023CNK

This matter came before the Board at the October 2010 meeting. Ms. VanHouten and Judy Alexander, Attorney in California, were present at the meeting. Ms. VanHouten was issued a CPA license in 1981. In 1993, she renewed her CPA license as inactive status.

Board staff received a copy of Ms. VanHouten's resume that she purportedly provides to potential clients. The resume indicated that she provides accounting and consulting services in addition to preparing nonprofit tax forms such as Form 990 and the CT-12.

Ms. VanHouten used the "safe harbor language" when issuing a report. The confusion is whether or not Ms. VanHouten is considered a "permit" holder while on inactive status.

A proposed Stipulation and Order was presented for Board approval. The Order stipulates that, once signed, Ms. VanHouten will surrender her CPA certificate and permit and may only refer to herself as a "former CPA".

BOARD ACTION: Moved by Mr. Bailey and carried to accept the proposed Stipulation and Order.

Vote: 6 ayes.

E. Dennis Weldon

10-065AHS

Mr. Weldon agreed to a Consent Order in December 2006, which stayed \$5,000 of the civil penalty assessed if Mr. Weldon provided evidence of weekly attendance in an after care program every six months. Mr. Weldon was also required to provide proof of completion for 32 hours of CPE assessed. Mr. Weldon failed to provide the required documentation.

A proposed Stipulation and Order, which was signed by Mr. Weldon, was presented to the Board for approval. The Order requires Mr. Weldon to pay the \$5,000 stayed penalty.

BOARD ACTION: Moved by Dr. Graham and carried to approve the Stipulation and Order.

VOTE: 6 ayes.

F. Keith Dodge

10-055CNK

Mr. Dodge is a licensed CPA with a firm registered in the State of Oregon. One of Mr. Dodge's former employees asked that Mr. Dodge verify her work experience so that she could apply for a tax preparer license with the Oregon State Board of Tax Practitioners. Mr. Dodge indicated to that he would not sign verification of her experience unless she signed a "Covenant not to Compete" document. After an

investigation was opened, Mr. Dodge did verify the work experience for his former employee.

The Stipulation and Order requires Mr. Dodge to pay a \$1,500 civil penalty for violation of OAR 801-030-0020(1), Professional misconduct.

BOARD ACTION: Moved by Mr. Bailey and carried to accept the Stipulation and Order presented.

VOTE: 6 ayes.

G. John Gregor

08-11-035CNK

Mr. Gregor and his attorney, Randy Turnbow attended the meeting by telephone. Mr. Bailey and Ms. Ferguson stated that they would abstain from discussion because they have both been called in as expert witnesses on this case.

Snapshot of history on this case:

Mr. Gregor submitted work papers to the Board for review in 2010. Mr. Bailey and Ms. Ferguson each reviewed the submitted work papers and gave a report of their findings to the Board. They both found significant deficiencies in the work papers including failure to plan and supervise, due professional care, lack of audit evidence, management representations, subsequent events, test with client, audit strategy, understanding entity and internal controls and consideration of fraud.

Mr. Gregor stated he considers the pre-issuance reviewers as part of his "team". He relies on their input and, therefore, does not spend time looking at the level of detail.

The Board expressed concern to Mr. Gregor that it appears that the comments from peer reviewers and pre-issuance reviewers are not being considered or learned from for future use, but rather relied on to catch the mistakes. The work is going out with errors that are later caught in reviews.

The Board sees significant departures from standards and a lack of quality control.

The Board was presented with an *Interim* Stipulation and Order for Mr. Gregor, pending complete disposition of the captioned action by final order. The *Interim* Order states that Mr. Gregor will resign his CPA license on or before May 3, 2011. It also states that Mr. Gregor agrees to not sign audit reports, supervise professional staff or practice public accountancy in any manner whatsoever. Other terms and conditions are listed as part of the agreement.

BOARD ACTION: Moved by Dr. Graham and carried to accept the Interim Stipulation and Order.

VOTE: 4 ayes, 2 abstentions (Bailey & Ferguson) 1 absent (Bridgham)

Ms. Schade entered into a Stipulation and order in May 2009 that included a stayed revocation of her license provided she did not violate any laws or rules. Ms. Schade's permit to practice lapsed on July 1, 2010. Her firm registration was then terminated. Ms. Schade submitted a reinstatement application on which she indicated that while lapsed, she prepared three compilations, two corporate tax returns and one individual tax return.

The new Stipulation and Order reinstates a stayed revocation of Ms. Schade's license and orders her to pay a civil penalty of \$5,000.

BOARD ACTION: Moved by Dr. Graham and carried to accept the Stipulation and Order.

VOTE: 6 ayes.

The Administrative Law Judge in this matter has proposed a suspension of Mr. Steers' license for 7 years, cost recovery and a \$6,000 civil penalty.

BOARD ACTION: Moved Mr. Bailey to approve the proposed Order issued by Administrative Law Judge Betterton on January 27, 2011, as the Board's Final Order, unless the Respondent Tim Steers, Files written exceptions by February 17, 2011, and direct Pat Hearn to execute a Final Order on behalf of the Board.

Discussion: The purpose of the Board's contingent action to enter a final order here is to ensure public protection because the Board is not scheduled to meet again until May 2011.

VOTE: 6 ayes

J. Kenneth Gustafson

This matter is a pending contested case hearing and was discussed in closed session.

8. REPORT OF THE EXECUTIVE DIRECTOR

A. On-Line Licensing Project Update

The Board received four proposals, two of which have experience with other Board's of Accountancy. The next step will be to offer the bidders to make oral presentations to the evaluation team and then scores can be adjusted if necessary. Mr. Hearn expects to have a contract in place by the end of March.

B. Upcoming Legislative Session

The Board reviewed a revision to policy number 01-015, Guidelines for Working with the Legislature. The policy was updated with more current information and serves as a reminder to Board members and staff on what is appropriate during legislative sessions.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the policy as revised.

VOTE: 5 ayes (Graham and Bridgham absent)

C. Model of Efficiency for Small State Agencies

A report was produced by SIBA, Semi-Independent Boards and Agencies which outlined the efficiencies of semi-independent agencies and the advantages to the state for allowing semi-independence.

The information was provided to the Board as information only.

9. PUBLIC COMMENTS

There were no public comments

10. REPORT OF OAIA

Mr. Morris was not present.

11. REPORT OF THE OSCPA

Ms. Hollingsworth invited Board and staff to attend the Professional Issues Update conference which will be held at the Salem Conference Center in late April.

12. OLD BUSINESS

None

13. CONTINUING PROFESSIONAL EDUCATION

A. Minutes of January 11, 2011
Information only

B. Municipal Auditor Applications

1. Approved Applications

- a. Stephen Carol Sharpe
- b. Sarah Elizabeth Bishop
- c. Sheilia Landis

BOARD ACTION: Moved by Mr. Bailey and carried to approve the applications.

VOTE: 5 ayes

- C. CPE Committee Annual Report Information only.
- 14. PEER REVIEW OVERSIGHT COMMITTEE
No meeting held
- 15. QUALIFICATONS COMMITTEE
 - A. Minutes of January 19, 2011 Information only
 - B. Consent Agenda
 - 1. Recommendations
 - a. Samuel Carey
 - b. Jing Dipiero
 - c. Shannon Finsand
 - d. Laura Christine Gall
 - e. Jessica Guenther
 - f. Rosita Talanova
 - g. Thomas Simpson
 - 2. Approval of Applications
 - a. 44 CPA Certificate Applications
 - b. 0 PA Permits
 - c. 13 Firm registrations

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

VOTE: 5 ayes

- C. Applications for discussion
 - 1. Christopher Campbell/Deny

Mr. Campbell passed the examination in February 2006 and gained experience while working at Shilo Mangement Corporation. Mr. Campbell did not have a qualified supervisor licensee that worked for Shilo. Shilo entered into a contract with an external auditing firm, Taskar Kibbee & Associates PC, specifically, Roberta Taskar, to serve as his supervisor licensee.

Mr. Campbell is the CEO, CFO and the Corporate Secretary of Shilo Management Corporation. Ms. Taskar indicates that she has worked with Mr. Campbell for a period of time prior to signing the contract to serve as his supervisor licensee. The Qualifications committee questioned the timeframe for which Ms. Taskar signed off on his competencies; while supervising or prior to the time of supervision?

The Board also questioned the supervisor relationship in terms of an external auditor having any input on the discharge of the CFO and CEO of a company.

The Qualifications committee recommended that the application submitted by Mr. Campbell be denied because the information provided did not show a clear connection between the supervisor licensee and the applicant as described in OAR 801-010-0065. In addition, the experience prior to contracting with Ms. Taskar does not qualify for this application.

BOARD ACTION: Moved by Ms. Ferguson and carried to accept the committee recommendation of denial.

VOTE: 5 ayes.

2. Tahni Marie Fagerberg/Deny

Ms. Fagerberg passed the CPA examination in July 2009 and gained her experience working at McDonald Jacobs (CPA Firm), OHSU and Bjorklund & Montplaisir (CPA Firm). Ms. Fagerberg gained all competencies through her employment at McDonald Jacobs and OHSU, where she had the majority of her time, 15 months at McDonald Jacobs and 28 months at OHSU. She was missing competencies B, E and F. She used her vacation time and went to work for Bjorklund & Montplaisir to gain the extra experience to achieve those missing competencies.

The applicant worked for Bjorklund & Montplaisir for a total of 145.5 hours. Both the committee and the Board do not feel confident that an applicant can gain three competencies in such a short period. In addition, there was concern expressed that she only gained the competencies she needed.

BOARD ACTION: Moved by Ms. Ferguson and carried to accept the committee recommendation to deny the application submitted by Ms. Fagerberg.

VOTE: 5 ayes

3. Jenny Lu/Deny

The Qualifications committee voted to deny the application submitted by Ms. Lu at their meeting in November 2010. The recommendation was reviewed by the Board at their meeting in December 2010 and sent back to the committee for clarification as to the reason for the denial. The Qualifications committee explained that the documentation received to support the application of Ms. Lu's competencies was not thorough enough to show she had met the competencies E and F. The committee also noted that the supervisory relationship was not clear.

BOARD ACTION: Moved by Ms. Ferguson and carried to accept the committee recommendation to deny the application submitted by Ms. Lu.

VOTE: 5 ayes.

4. Ashley Kennel

The experience forms for Ms. Kennel were presented to the Board for their review. Ms. Kennel gained her experience in a public accounting firm, and applications of this type are normally approved administratively.

When the Board sends forms to the employers, they are also asked to answer seven supplemental questions regarding the supervisory relationship, organizational chart of the firm and the nature of the supervision. These questions are also asked of applicants who gain their experience in industry or other types of environments.

While reviewing the supplemental information, it was noted that the direct supervisors listed did not qualify to serve as a supervisor licensee; they did not hold a valid license. The individual who signed the experience form, which is a partner in the firm, was not listed as a direct supervisor anywhere in the supplemental information.

Staff does not feel comfortable signing off on experience that clearly does not meet the requirements of OAR 801-010-0065 and would like feedback from the Board as to how to handle these situations as they are becoming more frequent.

Dr. Johnson and Ms. Ferguson both agreed that the set up for supervision at the firm level is much different than in private industry. There are safeguards in place and a partner is ultimately in charge and therefore it is appropriate for them to sign off even if there is not a direct connection to the applicant.

The Board would like to form a sub-committee to look at the supervision requirements to determine if the supervision needs to be day-to-day, review the requirement for supervisor licensees to be licensed five years prior to the supervisor period.

BOARD ACTION: Moved by Ms. Ferguson and carried to deny the application for Ms. Kennel, until further information is sent in regarding her supervision. If appropriate documentation is sent, staff may approve.

VOTE: 4 ayes, 1 nay (Johnson)

16. CPA EXAM

A. Quarterly Summary from CBT Steering Group – Information Only

The steering group reported that the 2nd quarter testing volume in 2010 was 12.8% above the 3rd quarter of 2009. There were 84,423 tests delivered in 2010 (all states included in that number), bringing the total number of exams since the inception of the CBT to 1,354,545. Candidate satisfaction remains high and testing pattern remain consistent.

B. CBT Statistics – Information Only

The Oregon Board received 1,301 applications in 2010 and candidates sat for 2,223 sections. Our pass rate averages 56% per testing window.

C. Modification to passing score

The AICPA Board of Examiners (BOE) revised the CPA examination, which was launched in January 2011. The changes were significant enough to require a reconsideration of the performance required to pass the exam. The results of their studies will be reflected when scoring the results from the 1st quarter in 2011.

17. CODE OF PROFESSIONAL CONDUCT

No meeting held

18. NEW BUSINESS

None

19. PROCESS OBSERVER

Mr. Bailey congratulated the Board for getting through a lot of information. He reminded committee liaisons that, if they are not going to recommend what the committee recommended, to state the reason.

20. ADJOURN at 2:52 p.m.

*There was an Executive Session to conduct the performance evaluation of the Executive Director and to deliberate concerning contested cases, which is not subject to public meetings law.