

**OREGON BOARD OF ACCOUNTANCY**  
**Minutes, May 22, 2006**

**Mt. Bachelor Village Resort**

**Bend, Oregon**

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

**Board Members**

James Gaffney, CPA, *Chair*  
Lynn Klimowicz, CPA, *Vice-Chair*  
Kent Bailey, CPA, *Treasurer*  
Jens Andersen, CPA  
Stuart Morris, PA  
Ray Johnson, CPA  
Anastasia Meisner, Esq. *Public Member*

**Excused**

None

**Staff Members**

Carol Rives, *Administrator*  
Noela Kitterman, *Investigator*  
Kimberly Bennett, *Cmte Coordinator*  
Joyce Everts, *Committee Coordinator*  
Heather Shepherd, *Cmte Coordinator*

**Guests**

Jim Aldrich, OAIA (left at 11:15)  
Johanna Matanich, AAG  
Karey Schoenfeld, OSCPA  
Gerald Burns, CPA (1:30 p.m.)  
Russell Cramer, CPA (1:30 p.m.)  
Matthew Fawcett, Esq. (1:30 p.m.)

**CALL TO ORDER**

A quorum being present, Chair Gaffney called the meeting to order at 9:30 a.m. Gaffney expressed the Board's appreciation to Jim Aldrich for nine (9) years of loyal service as the OAIA liaison to the Board of Accountancy, and suggested that Board staff prepare a commemorative plaque for Aldrich. Ray Johnson was appointed process observer.

**2. APPROVAL OF MINUTES**

**A. February 6, 2006**

**BOARD ACTION:** Moved by Bailey and carried to approve the February 6 meeting minutes.

**VOTE:** Chair Gaffney did not vote; 6 ayes

**B. March 6, 2006**

**BOARD ACTION:** Moved by Andersen and carried to approve the March 6 meeting minutes with corrections to indicate that Klimowicz is *Vice-Chair* and Bailey is *Treasurer*.

**VOTE:** Chair Gaffney did not vote; 6 ayes

**3. REPORT OF CHAIR**

**A. NASBA**

**1. Authorize Travel to Regional Conference**

The 2006 Western Regional Meeting is scheduled May 31 through June 2, 2006 in San Francisco, California.

**BOARD ACTION:** Moved by Johnson and carried to approve registration fees for Chair Gaffney, two Board members and the Administrator plus travel expenses to attend this conference.

**VOTE:** Chair Gaffney did not vote; 6 ayes

**Board Discussion** *The NASBA 99<sup>th</sup> Annual Meeting will be held October 29 through November 1, 2006 in Atlanta, Georgia. The Chair and Vice Chair both have conflicts with this date. Andersen is not available to attend. Bailey and Johnson will advise the Board at the August 2006 meeting if they are able to attend the conference in Atlanta, Georgia.*

## 2. Nomination of 2007-2008 Vice Chair

Sam Cotterell of Idaho received the nomination for Vice Chair of NASBA.

## 3. Appoint Voting Delegate for Regional Conference

**BOARD ACTION:** Moved by Bailey and carried to appoint Klimowicz as the voting delegate for the 2006 Western Regional Meeting.

VOTE: Chair Gaffney did not vote; 6 ayes

## 4. REPORT OF VICE CHAIR

### A. Approval of Action Items from Work Session

#### 1. Legislative Concept 120000/04

**Board Discussion:** *The purpose of the concept is to prevent licensees from settling client disputes with provisions that prohibit the client from reporting the complaint to the Board. While this is typically achieved by some sort of non-disclosure agreement, there are various ways to achieve this end. The language should be broad enough to prevent any conduct that prevents communication with the Board. It is important that the public has full and free access to the Board's complaint process. Broad statutory language can be interpreted in administrative rules (Code of Professional Conduct, Division 030).*

*Karey Schoenfeld expressed her concern that all settlement agreements between a licensee and client would violate this provision and suggested that the remedy should be to make non-disclosure provisions unenforceable rather than take disciplinary action against the licensee. Johanna Matanich, AAG, reminded the Board that its regulatory authority only extends to licensees.*

*The Board determined that the following language provides a starting point for the legislative concept, and can be revised with the assistance of legislative counsel: "Authorizes the Board to take disciplinary action against licensees who frustrate, discourage, intimidate or prohibit a client or any other person from reporting an alleged violation to the Board or from cooperating with a Board investigation".*

**BOARD ACTION:** Moved by Klimowicz and carried to submit Legislative Concept 120000/04 to the Governor for approval, and request Administrator to work with Legislative Counsel to develop final language.

VOTE: Chair Gaffney did not vote; 6 ayes

#### 2. Legislative Concept 120000/03

**Board Discussion:** *This concept relates to required percentage of licensee ownership of CPA firms. The phrase "principal place of business in this state" should be removed.*

**BOARD ACTION:** Moved by Johnson and carried to approve the concept with the removal of the phrase "principal place of business in this state"

VOTE: Chair Gaffney did not vote; 6 ayes

#### 3. OAR 801 Division 010

##### a. 801-010-0340(b)

**Board Discussion:** *This rule is proposed to support Legislative Concept 3. Addition of "death or unforeseen circumstances" will allow flexibility and still maintain the purpose.*

**BOARD ACTION:** Moved by Klimowicz and carried to approve with the additional language.

VOTE: Chair Gaffney did not vote; 6 ayes

b. 801-010-0065(2)

Proposed changes to this rule clarify the requirements of "direct supervision" define "supervisor licensee" and clarify the responsibilities. The Board offered the following modifications:

Delete "~~and the independent contractor~~"

Add "applicant's direct supervisor shall"

Replace "~~applicant's employer~~" with "a licensee providing direct supervision shall":

Remove "~~may~~"

**BOARD ACTION:** Moved by Klimowicz and carried to approve proposed rule as modified.

VOTE: Chair Gaffney did not vote; 6 ayes

c. 801-010-0080

**BOARD ACTION:** Moved by Klimowicz and carried to approve.

VOTE: Chair Gaffney did not vote; 6 ayes

**4. OAR 801 Division 020**

a. 801-020-0620

**Board Discussion:** *The definition of "member" in (4)(c) should not include employee. Replace "~~member or employee~~" with "owner".*

**BOARD ACTION:** Moved by Klimowicz and carried to approve with modifications described.

VOTE: Chair Gaffney did not vote; 6 ayes

**5. OAR 801 Division 030**

a. 801-030-0005(5) Improper use of CPA/PA designation

**Board Discussion:** *This rule needs to be considered in light of the Ibanez US Supreme Court decision, ruling that an individual who has a current active license in good standing issued by any state has the right to display the designation whether it is used in connection with a public accounting firm or another business. The Board requests the Administrator to work with counsel to develop proposed revisions to the rule.*

**BOARD ACTION:** Defer to the August 7, 2006 Board meeting.

b. 801-030-0020(6)(a)(D) Firm names

**Board Discussion:** *The heart of the rule is whether a firm name is misleading, and if the partner whose name remains in the firm name is not in public accounting in the community, there is no risk of misleading the public. The Board noted that it is not unusual for a Firm name to include the names of partners who are deceased and it is expensive to change a firm name. Each situation must be reviewed based on whether the name is misleading. No changes to the rule are necessary.*

c. 801-030-0020(6)(d) Assumed Business names

**Board Discussion:** *The principals or owners of a business operating under an assumed business name are public record with the Secretary of State. The Board noted that using an ABN is common business practice and that the public has some responsibility to search public records if there are concerns or problems with a business office. No revisions are necessary.*

## 6. OAR 801 Division 040

### a. 801-040-0010(3)

**Board Discussion:** *The proposed revisions require that information provided in the CPE ethics program include material relevant to all licensees including licensees not in public practice.*

**BOARD ACTION:** Moved by Klimowicz and carried to approve revisions.

**VOTE:** Chair Gaffney did not vote; 6 ayes

**Board Discussion:** *The joint committee suggested that new licensees be required to take an ethics class similar to the current requirement, which would ensure exposure to Oregon statutes and rules even if the education is received outside the state. Klimowicz noted the following areas of research for an improved ethics requirement:*

- *Expansion of the topics beyond the administrative rules*
- *Implementation of eight hour ethics requirement for applicants prior to licensing, and*
- *Increase the number of ethic hours reported every four years from four to eight hours*

**BOARD ACTION:** Moved by Klimowicz and carried to direct staff to work with the joint CPC/CPE committee on topic expansion of the current CPE requirement, and on development of an Ethics requirement for CPA and PA applicants that includes study of Oregon regulations. The additional pre-licensing ethics requirement would not replace the AICPA ethics exam that is now required for licensing.

**VOTE:** Chair Gaffney did not vote; 6 ayes

## B. Delegated Authority

The Board reviewed the history of delegated authority to the Administrator to sign default orders. This authority was first delegated in 1985, and modified in 2000.

**BOARD ACTION:** Moved by Klimowicz and carried to ratify delegated authority to the administrator to sign default orders.

**VOTE:** Chair Gaffney did not vote; 6 ayes

## 5. REPORT OF SECRETARY-TREASURER

### A. Financial Reports

Bailey reviewed the March 2006 financial report and noted that revenues are \$125,627 over projection and expenditures are \$36,327 under projections. It was noted that legal fees are typically over budget as it is difficult to accurately predict the amount of time and money that BOA will spend on consultants, hearings, negotiations and legal fees. If BOA needs additional funds for legal expenses, we will go before the Emergency Board, which will meet in January 2007. Rives reviewed expenditures in the fiscal year 2003-2005 and fiscal year 2005-2007 including: budget for the paper and pencil CPA exam in 2003-2005 and increased legal fees in 2005-2007. The Board's allocation for AG fees will be addressed in a policy package. Rives stated that the Board has the flexibility to move monies between expenditure categories.

In response to questions raised by fraudulent transactions that occurred in a small, semi-independent board, Rives advised the Board that the Secretary of State Audits Division is the entity that audits state agencies. Small Boards are audited when there is a change of director or if problems are suspected. Rives noted that the Board may also request an audit at any time, at the Board's expense.

The Board of Accountancy has adequate internal controls: DAS provides accounting and payroll services; no checks are issued by Board staff; Board revenue

is received through a lockbox and deposited to the Board account. Expenditures are processed in the Board office, approved by the administrator and forwarded to DAS for payment. The Board reviews a monthly report of Board revenue and expenditures, which is prepared from reports provided by DAS. DAS reports are reviewed against Board bookkeeping records by Board staff.

**BOARD ACTION:** Moved by Bailey and carried to accept the budget reports.

VOTE: Chair Gaffney did not vote; 6 ayes

## **6. REPORT OF ADMINISTRATOR**

### **A. Uncollectible Debts, Write Off Authorization**

**BOARD ACTION:** Moved by Klimowicz and carried to write off the uncollectible debts.

VOTE: Chair Gaffney did not vote; 6 ayes

### **B. Substantial Equivalency Report**

At the request of the Board, staff prepared a worksheet showing the individuals who applied for Substantial Equivalency by individual credentials. This discussion will be continued at the October work session.

### **C. Recommendations for Committee Members**

1. Allison Rosario, Complaints
2. John Kmetz, Code of Professional Conduct
3. Ron Rawls, Code of Professional Conduct
4. Josh Purington, Continuing Professional Education
5. Bradley Bingenheimer, Peer Review Oversight

**Board Discussion:** *Rosario is employed by PricewaterhouseCoopers LLP, has a strong audit background and was recommended by the Complaints Committee. John Kmetz expressed an interest in serving on the Code of Professional Conduct Committee, but he recently accepted a position with his firm that will require relocation to New Jersey. Ron Rawls is a current member of the Qualifications Committee and has expressed an interest in serving on the CPC committee as well. Bingenheimer is a partner at Boldt Carlisle & Smith CPA, LLC. Josh Purington works at Talbot Korvola.*

**BOARD ACTION:** Moved by Johnson and carried to approve Allison Rosario, Ron Rawls, Josh Purington and Bradley Bingenheimer for committee membership.

VOTE: Chair Gaffney did not vote; 6 ayes

### **D. Rives CPM Results**

Information was presented to the Board regarding courses Ms. Rives is attending at Willamette University.

### **E. Policy for Telephone Hearings**

The Board reviewed a proposed policy regarding requests to participate at administrative hearings by telephone. Respondents are generally required to appear at a hearing in person unless the testimony to be presented at hearing does not raise issues of fact that may require the Board to make credibility findings. The policy outlines circumstances in which a telephone hearing request may be granted.

**BOARD ACTION:** Moved by Klimowicz and carried to approve Policy S-06-033.

VOTE: Chair Gaffney did not vote; 6 ayes

## **F. Isler & Co LLC Reorganization**

Isler & Co submitted information to the Board outlining the intended restructure of the firm. The Board has received several similar letters from them. The Board does not provide advice, comments or recommendations to licensees relating to proposed business plans or organizational structures.

## **7. REPORT OF OAIA**

In the absence of a representative of OAIA, Stuart Morris reported that OAIA has started their educational program for the year. June, 2006, there will be a tri-state OAIA meeting in Idaho. To promote licensing as a Public Accountant, OAIA will award up to \$400 to individuals who complete the experience and education requirements, pass the required CPA exam sections and become licensed as a PA.

## **8. REPORT OF OSCPA**

Schoenfeld reported that Langley is at the AICPA annual meeting and therefore could not attend this Board meeting. In June OSCPA will review legislative concepts. OSCPA recently hosted a Leadership Forum: Tom Butler, Chair of the Senate Review Committee and Leslie Murphy, Chair of AICPA were speakers.

## **9. CONTINUING PROFESSIONAL EDUCATION**

### **A. Report of CPE Committee**

#### **1. Acceptance of Minutes, February 7, 2006**

**BOARD ACTION:** Moved by Klimowicz and carried to accept the Continuing Professional Education minutes dated February 7, 2006.

**VOTE:** Chair Gaffney did not vote; 6 ayes

#### **2. Consent Agenda**

##### **a. Recommendations**

\* 1. None

#### **3. Municipal Auditor Applications**

##### **a. Mistie D. Hesse**

**COMMITTEE RECOMMENDATION:** Accept; the applicant completed the requirements for the municipal audit roster, as required by OAR 801-020-0690.

##### **b. Sally Bonnet Jaeggli**

**COMMITTEE RECOMMENDATION:** Accept; the applicant completed the requirements for the municipal audit roster, as required by OAR 801-020-0690.

##### **c. Stan D. Mitchell**

**COMMITTEE RECOMMENDATION:** Defer; applicant completed an independent program *Government Auditing Standards* and claimed the program as Single Audit Act & related. The committee reviewed the course description submitted and determined that it is not clear how Single Audit Act is part of the course. Staff will advise Mitchell of the committee concern and ask for a written description of how Single Audit Act was included in the course. If Mitchell cannot provide a narrative acceptable to the committee, the course will be deleted from the municipal application and Mitchell will be required to complete an additional course.

d. Keith Winnick

COMMITTEE RECOMMENDATION: Accept; the applicant completed the requirements for the municipal audit roster, as required by OAR 801-020-0690.

#### **4. Items Removed from Consent Agenda**

1. None

**BOARD ACTION:** Moved by Klimowicz and carried to accept the Consent Agenda.

VOTE: Chair Gaffney did not vote; 6 ayes

### **B. Report of CPE Committee**

#### **1. Acceptance of Minutes, April 26, 2006**

**BOARD ACTION:** Moved by Klimowicz and carried to accept the Continuing Professional Education minutes dated April 26, 2006.

VOTE: Chair Gaffney did not vote; 6 ayes

#### **2. Consent Agenda**

##### **a. Municipal Auditor Applications**

1. Stan D. Mitchell

COMMITTEE RECOMMENDATION: Accept; the applicant completed the requirements for the municipal audit roster, as required by OAR 801-020-0690.

2. Gerri Davis

COMMITTEE RECOMMENDATION: Accept; the applicant completed the requirements for the municipal audit roster, as required by OAR 801-020-0690.

3. Shirley L. Mac Adam

COMMITTEE RECOMMENDATION: Accept; the applicant completed the requirements for the municipal audit roster, as required by OAR 801-020-0690.

4. Robert W. Hamilton

COMMITTEE RECOMMENDATION: Accept; the applicant completed the requirements for the municipal audit roster, as required by OAR 801-020-0690.

#### **3. Items Removed from Consent Agenda**

None

**BOARD ACTION:** Moved by Klimowicz and carried to accept the Consent Agenda.

VOTE: Chair Gaffney did not vote; 6 ayes

## **10. OLD BUSINESS**

### **A. IRS Notice Regarding Tax Shelters**

At the October 2005, Board meeting the Board requested the Investigator to ask KPMG if they sold "Son of Boss" type tax shelters to Oregon clients. KPMG advised the Board that individuals in their Oregon office or registered as CPAs in Oregon did not promote "Son of Boss" tax shelters to individuals who reside in Oregon.

The Investigator contacted Department of Revenue (DOR) and also searched the Oregon Judicial Information Network for Federal and State case listings and found none. DOR will advise the Board if they discover that a licensee and/or firm has potentially violated a statute.

**11. PEER REVIEW OVERSIGHT**

**A. Report of Peer Review Oversight Committee**

**1. Acceptance of Minutes, February 21, 2006 and May 2, 2006**

**BOARD ACTION:** Moved by Andersen and carried to accept the minutes of February 21, 2006 and May 2, 2006.

**VOTE:** Chair Gaffney did not vote; 6 ayes

**B. Consent Agenda**

**1. Recommendations**

**a. February 21, 2006**

Approve requirement for PRO Committee members to have a background in audit and attest and 48 CPE hours in accounting and auditing.

**BOARD ACTION:** Moved by Andersen and carried to require PRO Committee members to have a background in audit and attest and 48 CPE hours in accounting and auditing.

**VOTE:** Chair Gaffney did not vote; 6 ayes

**b. May 2, 2006**

The PRO Committee suggested that the Board send a letter to local branches of national PCAOB firms to determine how issues from the most recent inspection reports are addressed at the local level.

**BOARD ACTION:** Moved by Andersen and carried to develop the letter and mail to local branches of national firms that are subject to PCAOB requirements.

**VOTE:** Chair Gaffney did not vote; 6 ayes

**c. Approval of AICPA Peer Review Program for 2006**

**BOARD ACTION:** Moved by Andersen and carried to approve the AICPA Peer Review Program for 2006.

**VOTE:** Chair Gaffney did not vote; 6 ayes

**d. Approval of OSCPAP Peer Review Program for 2006**

**BOARD ACTION:** Moved by Andersen and carried to approve the OSCPAP Peer Review Program for 2006.

**VOTE:** Chair Gaffney did not vote; 6 ayes

**e. NCCPAP Peer Review Program application**

**BOARD ACTION:** Moved by Andersen and carried to deny the NCCPAP application for approval of its Peer Review Program for licensees in Oregon.

**VOTE:** Chair Gaffney did not vote; 6 ayes

**C. Items Removed from Consent Agenda**

**1. Request to waive peer review requirement**

Licensee withdrew membership in the AICPA and was terminated from the AICPA Peer Review Program. As a result licensee missed the scheduled Peer Review in 2004. Licensee requested a waiver of the peer review requirement because he was not notified by the AICPA and because he does not intend to perform attest services.

**Board Discussion:** *Licensee did not notify the Board of his termination in the AICPA Peer Review Program. He needs to complete the peer review. It is the licensee's responsibility to maintain current enrollment in peer review. When membership in a professional organization is cancelled, the licensee must consider what benefits the organization has been providing to members that will need to be accommodated by other means.*

**BOARD ACTION:** Moved by Bailey and carried to deny request for waiver of the Peer Review requirement.

VOTE: Chair Gaffney did not vote; 6 ayes

**12. COMPLAINTS COMMITTEE**

**A. Report of Complaints Committee**

This report was completed at the Saturday May 20, 2006 Board meeting. See meeting minutes for detail.

**13. LEGAL**

**A. Report of Legal Items**

**1. Proposed Consent Orders**

**a. Mark Brown**

**Board Discussion:** *The Board issued a Notice that included revocation, stayed for a designated period, one (1) year suspension, 32 hours of CPE and a civil penalty of \$40,000. Brown submitted an offer of settlement that provided for a one (1) year suspension, 32 hours of CPE and a civil penalty of \$3,000. Brown requested the Board to take into consideration the amount of \$37,000 that Brown was required to pay in civil penalties to another agency and to offset the Board's civil penalty by that amount.*

**BOARD ACTION:** Moved by Johnson and carried to deny the proposal.

VOTE: Chair Gaffney did not vote, 6 ayes

**b. Russell Cramer**

Cramer held out as a Certified Public Accountant when he ordered business cards and did not disclose to his employer that he was not a CPA. Cramer was dishonest to the Board when he applied for a CPA permit without disclosing his current employer. The Board reviewed a proposed Consent Order submitted by Cramer.

**BOARD ACTION:** Moved by Klimowicz and carried to reject the proposed consent order.

VOTE: Chair Gaffney did not vote, 6 ayes

Russell Cramer, CPA, Matthew Fawcett, attorney for Cramer and Gerald Burns, CPA, arrived at the meeting at 1:30 p.m.

Speaking on Cramer's behalf, Burns stated that he worked with Cramer at Moss Adams for seven (7) years. Burns affirmed that his experience in working with Cramer is that he is honest and competent. Cramer complied with standards, complied with requirements found in the Firm manual and provided computer coaching to Burns and others in the office.

**Board Discussion:** *The Board considered whether or not Cramer understands exactly what he did wrong. There appears to be a pattern of deceit in Cramer's actions: failure to report his current employer on his CPA application, failure to advise his new employer that he was not yet licensed as a CPA, and the conviction noted on the renewal application stating that the money from the mother-in-law was a gift, which is disputed by the mother-in-law.*

**BOARD ACTION:** Moved by Johnson and carried to issue a Consent Order with the following provisions:

- Revocation of certificate, stayed for five (5) years beginning July 1, 2006, so long as Cramer does not violate Board statutes and rules
- 24 hours of ethics CPE classes to be pre-approved by the Board
- Suspension of CPA permit for two (2) years beginning July 1, 2006
- Cramer will submit a report to the Board that describes how the ethics hours completed relate to the issues described in the Notice
- During 2008-2009 (1 year) require pre issuance reviews of any attest and compilations signed by Cramer
- For a period of three (3) years, beginning July 1, 2006, Cramer will disclose the consent order to all employers before accepting employment and provide the Board with a copy of his resume used to apply for employment
- Assess a civil penalty of \$2,500 payable on or before July 1, 2006

VOTE: Chair Gaffney did not vote, 4 ayes, 2 nays (Klimowicz, Meisner)

**c. Rostad & English**

**Board Discussion:** *The Board issued a Notice of Proposed Civil Penalty of \$15,000 for failure to protect confidential client information in violation of OAR 801-030-0015(1). Rostad & English submitted a settlement proposal with a civil penalty of \$5,000.*

**BOARD ACTION:** Moved by Klimowicz and carried to deny the proposal.

VOTE: Chair Gaffney did not vote, 6 ayes

**d. Rupert Koblegarde**

**Board Discussion:** *Koblegarde did not disclose required information on two renewal applications. Notice of Proposed civil penalty in the amount of \$5,000 (\$2,500 x 2) was issued for violations of ORS 673.170(2)(a)(D) Fraud or deceit in obtaining or applying for a permit. Koblegarde submitted payment of \$3,500 and submitted a proposed settlement agreement and Consent Order acknowledging that he did not truthfully answer a question on the renewal application.*

**BOARD ACTION:** Moved by Johnson and carried to approve the proposed settlement agreement, with the \$3,500 civil penalty.

VOTE: Chair Gaffney did not vote, 6 ayes

**e. Jon Schatz**

**Board Discussion:** *The Board issued a Notice of Proposed Civil Penalty in the amount of \$10,000 for violation of ORS 673.160(1) Registration of a Business Organization and ORS 673.320(4) (\$5,000) and Holding out as a Business without Firm*

*Registration (\$5,000). Schatz submitted a consent agreement in which he agrees to the violations and offered a civil penalty of \$5,000.*

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

VOTE: Chair Gaffney did not vote, 6 ayes

**B. Other**

**1. Requests for Reconsideration**

**a. Todd Knapp**

***Board Discussion:** The Board issued a Final Order assessing a Civil Penalty in the amount of \$12,000 for violations of 801-030-0015(2)(d)(C) Working Papers, with one-half the civil penalty waived if licensee completes 24 hours of CPE (compilation and review standards) within the next two years in addition to the required 80 hours; an annual peer review for the next two years to be conducted by a qualified Peer Reviewer approved by the Board. Knapp submitted a late hearing request which was denied and a final order was issued by default. Knapp subsequently requested reconsideration and stay of the final order. Board discussed reconsideration of the final order and denial of reconsideration for a hearing. Counsel suggested review and modification of the language in the final order to clarify how Knapp's activities result in 12 violations of OAR 801-030-0015(2)(d)(C) Working Papers.*

**BOARD ACTION:** Moved by Johnson and carried to reaffirm and re-enter the final order and to deny the request for a stay of the final order.

VOTE: Chair Gaffney did not vote, 6 ayes

**b. Fred Carter**

***Board Discussion:** Carter signed a Consent Order assessing a \$13,000 civil penalty with \$3,500 stayed, if Carter completes 16 additional hours of continuing professional education (CPE) in yellow book and A-133 single audit within one year of the date of the Consent Order. The Consent Order also required Carter to obtain pre-issuance review of any audits under Government Auditing Standards (yellow book) for three (3) years. Carter did not timely complete the CPE.*

**BOARD ACTION:** Moved by Klimowicz and carried to remove stay of the \$3,500 civil penalty as Carter did not comply with the conditions of the stay.

VOTE: Chair Gaffney did not vote, 6 ayes

**14. QUALIFICATIONS COMMITTEE**

**A. Report of Qualifications Committee, May 4, 2006 Minutes**

**BOARD ACTION:** Moved by Meisner and carried to accept the May 4, 2006 minutes.

VOTE: Chair Gaffney did not vote, 6 ayes

**B. Consent Agenda**

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

VOTE: Chair Gaffney did not vote, 6 ayes

**1. Recommendations**

**a. Kristin Emminger 06-03-007**

Ms. Emminger gained her experience with the following employer:  
IRS 77 mos. All competencies

Ms. Emminger passed the CPA Exam in May 2001. Ms. Santiago reported that the write up for this file was very well documented.

COMMITTEE RECOMMENDATION: Ms. Santiago moved to accept this application for licensure. Vote: 6 ayes, 1 excused (Emery)

**b. Lisa Douglass 06-03-005**

Ms. Douglass gained her experience with the following employer:  
Department of Justice 34 mos. All competencies

Ms. Douglass passed the CPA exam in May 2001. Ms. Douglass worked for the Department of Justice in several positions over the 34 month period. Her experience is equivalent to public accounting experience. Mr. Rawls contacted both the supervisor licensee and the applicant. The supervisor licensee did not have hire/fire authority; however she had significant influence on her employment.

COMMITTEE RECOMMENDATION: Moved by Rawls and carried to approve application for licensure. Vote: 6 ayes, 1 excused (Emery)

**c. Julissa Vasquez 06-03-006**

Ms. Vasquez gained her experience with the following employer:  
Intel 26 mos. All competencies

Ms. Vasquez passed the CPA exam in November 2003. She achieved her experience in the Intel Qualifications program. Mr. Emberland reviewed the documentation provided by the supervisor licensee and recommends approval of the application. Ms. Vasquez has a broad base of experience in different departments throughout Intel.

COMMITTEE RECOMMENDATION: Moved by Emberland and carried to approve the application for Julissa Vasquez for licensure. Vote: 6 ayes, 1 excused (Emery)

**d. John Foster North III 06-02-003**

Mr. North gained his experience with the following employer:  
Lithia Motors Inc 46 mos. All competencies

Mr. North passed the CPA exam on November 28, 2005. Mr. Carey reported that the documentation supporting this applicant was very detailed.

COMMITTEE RECOMMENDATION: Moved by Carey and carried to approve the application of Mr. North. Vote: 6 ayes, 1 excused (Emery)

**e. Ekaterina N. Timaeva**

Ms. Timaeva gained her experience with the following employers:  
Firemans Fund Insurance 36 mos. All competencies  
Duff & Phelps 16 mos. All competencies

Ms. Timaeva passed the CPA exam on November 16, 2005. The documentation clearly demonstrates that the applicant has obtained competency in all seven areas.

COMMITTEE RECOMMENDATION: Moved by Santiago and carried to approve this application for certification. Vote: 6 ayes, 1 excused (Emery)

**2. Approval of Applications**

- a. CPA Certificates/Permits:** 127 CPA Certificates
- b. PA Licenses/Permits:** None
- c. Firm Registrations** 31 Registrations
- d. Substantial Equivalency** 93 Authorizations

**BOARD ACTION:** Moved by Meisner and carried to approve all applications.

**VOTE:** Chair Gaffney did not vote, 6 ayes

**C. Items Removed from Consent Agenda**

**1. Taesang Song**

Defer to Board meeting on August 7, 2006

**2. Seong Hye Hwang**

**Seong Hye (Clara) Hwang (Full Committee)**

Ms. Hwang gained her experience with the following employers:

The Emberland Group	9 mos.	No competencies
Protiviti	6 mos.	All competencies

Ms. Hwang passed the CPA exam on February 26, 2005. Mr. Smith had not held an active license for a period of five years and he did not directly supervise the work of Ms. Hwang. Mr. Smith lives and works in Idaho. The write up that was provided by Mr. Smith is weak in many areas. It appears that Ms. Hwang was involved with a team rather than gaining the experience on her own. The committee recommends that Ms. Hwang reapply when she has had more experience under the direct supervision of a qualified supervisor licensee.

**COMMITTEE RECOMMENDATION:** Moved by Santiago and carried to deny the application of Ms. Hwang. Vote: 5 ayes, 1 excused (Emery), one abstain (Emberland)

**BOARD ACTION:** Moved by Meisner and carried to deny the application.

**VOTE:** Chair Gaffney did not vote, 6 ayes

**3. Sean Ward**

Sean Ward submitted an application for a CPA license April 21, 2006. Ward passed the CPA examination February 25, 2005 and passed the ethics exam August 3, 2005. He has 150 semester hours and is required to have one year experience.

Mr. Ward worked for Arthur Andersen in Albuquerque, New Mexico from December 29, 1997 to July 28, 1999. Arthur Andersen's office was closed and no information regarding Mr. Ward's employment is available except for verification of time employed.

Mr. Ward provided the Board with his file copies of performance evaluations and asks the Board to determine if the information is sufficient to demonstrate the seven core competencies.

The committee reviewed the information that Mr. Ward provided and determined that it is not sufficient to establish that he has met the seven core competencies.

**COMMITTEE RECOMMENDATION:** Moved by Santiago and carried to deny Mr. Ward's application for certification and to notify him that he will need to seek

employment with a public accounting firm or the equivalent to gain his experience.

Vote: 6 ayes, 1 excused (Emberland)

**BOARD ACTION:** Moved by Meisner and carried to deny the application.

VOTE: Chair Gaffney did not vote, 6 ayes

**15. CPA EXAM**

**A. Exam Fee Increases**

Notice was sent to the candidates and posted on the Board website that exam fees will increase August 15, 2006.

**B. Candidate Performance**

Statistics on candidate performance on the CPA Exam.

**C. Top 10 Scores 2005**

Recognition resolutions for the top scorers in Oregon.

**BOARD ACTION:** Moved by Klimowicz and carried to approve and acknowledge the top scores.

VOTE: Chair Gaffney did not vote, 6 ayes

**D. Summary Report of Oregon Testing Centers** Information only

**E. CPA Exam Alert Newsletter** Information only

**F. CBT Testing Issues** Information only

**G. AICPA Report of Loss** Information only

**16. CODE OF PROFESSIONAL CONDUCT**

**A. Report of Code of Professional Conduct Committee**

**1. Acceptance of the Minutes**

**a. April 26, 2006**

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

VOTE: Chair Gaffney did not vote, 6 ayes

**B. Consent Agenda**

**1. Recommendations**

**a. AICPA Ethics Ruling 113 Gifts/Entertainment**

This ruling was reviewed and accepted at the May 2005 meeting when it was an exposure draft.

COMMITTEE RECOMMENDATION: Moved by Carder and carried to recommend adoption by the Board of Ruling 113 regarding Gifts and Entertainment.

**b. AICPA Interpretation 101-15 Financial Relationships**

This interpretation provides clarification regarding independence for engagements in which the CPA may or may not have a financial interest. The interpretation provides definitions of direct and indirect financial interest and also provides guidance on whether various types of financial interests should be considered to be direct or indirect financial interests. Limited exceptions are described.

**COMMITTEE RECOMMENDATION:** Moved by VanNice and carried to recommend adoption by the Board of Interpretation 101-15.

**VOTE:** Chair Sleasman did not vote; 2 ayes, 1 excused (O'Connor)

**BOARD ACTION:** Moved by Johnson and carried to accept consent agenda.

**VOTE:** Chair Gaffney did not vote, 6 ayes

**C. Other Business**

**1. Comparative Summary of Oregon Rules and AICPA Code of Conduct**

The Board reviewed the summary prepared by Mr. Johnson comparing Oregon rules with the AICPA code of conduct. The committee reviewed and prioritized the areas of greatest concern and will continue to bring forth items to the Board. Both the Board and committee expressed appreciation of Johnson's summary.

**17. NEW BUSINESS**

**A. Oswald West Award Nomination**

Dean L. Baker has been suggested for Board consideration to receive the Oswald West Award.

**BOARD ACTION:** Defer.

**18. PROCESS OBSERVER REPORT**

The Board did an admirable job going in and out of executive session. The morning session had a few difficulties. Johnson thanked the OSCPAL liaison for discussion in developing statutes and rules.

**19. NEXT MEETING**

Date: August 7, 2006  
Location: Board of Accountancy  
3218 Pringle Rd SE #110  
Salem OR 97302

**20. ADJOURNED**

There being no further business, the meeting adjourned at 4:07 p.m.