

OREGON BOARD OF ACCOUNTANCY
Minutes, August 6, 2007

Board of Accountancy Office

Salem, OR

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

Board Members Present

Lynn Klimowicz, CPA, *Chair*
Kent Bailey, CPA, *Vice-Chair*
Jens Andersen, CPA, *Treasurer*
Stuart Morris, PA (*excused at 4:30 p.m.*)
James Gaffney, CPA
Ray Johnson, CPA
Eric Lind, *Public Member*

Staff Members

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

Guests

Jeffrey Dover, AAG (*until 4:40 p.m.*)
Scott Wright, OSCP
Cheryl Langley, OSCP
Ivan Besemann, CPA (*11:05 a.m.*)
Phil Hopkins, CPA, *Division of Audits*
Brian Carr, CPA
Norm Hill, Esq. (*William Perry*)
Richard Goulette, CPA
Gary Stapleton, CPA

Guests

Frank H Lagensen, Esq. (*Richard Goulette*)
Al Gleason (*Richard Goulette*)
Thomas Graves, CPA
M, Scott Leibenguth, Esq. (*Thomas Graves*)
Charles A Swank, CPA
Thomas E Glogau, CPA
Robert Edwards, CPA
Theodore F Sumner, Esq. (*Robert Edwards*)

1. CALL TO ORDER

A quorum being present, Chair Klimowicz called the meeting to order at 9:45 a.m., appointed James Gaffney as Process Observer and introduced guests.

2. APPROVAL OF MINUTES

A. May 20, 2007, Work Session

Board Discussion: Johnson requested that the May 20, 2007 Work Session minutes (page 7, second paragraph) be revised to read as follows: "The Board discussed a requirement for firms to self-report tolling agreements on the firm renewal form. It was agreed that the non-disclosure rule should be included in administrative rules. At the August 2007 Board meeting the Board will develop specific language for the renewal application and the non-disclosure agreement".

BOARD ACTION: Moved by Morris and carried to approve the May 20, 2007 Work Session minutes as corrected.

VOTE: Chair Klimowicz voted; 6 ayes

B. May 21, 2007, Board Meeting

Board Discussion: Bailey requested that the May 21, 2007 Board meeting minutes reflect that he recused himself from the discussion and from voting on the Seydel Lewis case.

BOARD ACTION: Moved by Morris and carried to approve the May 21, 2007 Board Meeting minutes as corrected.

VOTE: Chair Klimowicz voted; 6 ayes

3. REPORT OF CHAIR

A. NASBA 100th Annual Meeting, October 28-31, 2007

The meeting is scheduled in Hawaii. Currently out of state travel for Oregon state agencies is restricted to the continental US; which means the Oregon Board of Accountancy is restricted from paying the expenses for this conference. Ms. Rives has contacted NASBA and requested a scholarship for one member to attend the conference. Chair Klimowicz is unavailable to attend the conference. Vice-Chair Bailey may be available to attend the conference, if the scholarship is awarded. Mr. Johnson is also available to attend the conference if none of the officers are able to attend.

B. Strategic Planning

The Board officers and Mr. Larry Brown, complaints committee member, held two meetings and agreed that the Board should consider the following items at the August meeting.

- RFP for pool of complaint investigators
- Presentation to JLAC in September
- Administrator succession

Board members will meet August 7, 2007 for a training session facilitated by Geoffrey Guilfoy, AKT to review the requirements and to develop procedures for evaluation of the *Best Practices* performance measure that was developed by the Legislature for Boards and Commissions. The performance measure is to be reported in September 2008.

4. REPORT OF VICE CHAIR

A. October Work Session: Salishan Resort, Gleneden Beach

A preliminary list of agenda items was not available for the August meeting. Board staff will assemble the list and send via e-mail to Board members for review by mid-September. If the Board members have any additions they will notify the Board administrator.

5. REPORT OF TREASURER

Andersen reviewed the June 2007 financial report, noting that cash reserves are high in June based on the renewal cycle. This does not reflect the lowest ending balance.

BOARD ACTION: Moved by Andersen and carried to approve the financial report.

VOTE: Chair Klimowicz voted; 7 ayes

6. LEGAL

A. REPORT OF LEGAL ITEMS

1. Proposed Consent Orders

a. James Rose

The Board reviewed a letter dated July 11, 2007 from William A. McDaniel, attorney for James Rose, offering a proposed settlement of \$10,000. The Board

also reviewed a counterproposal dated July 23, 2007, totaling \$15,000 (developed by Dover, AAG). A letter from William A. McDaniel dated August 1, 2007 declined the Board's counterproposal and resubmitted the original settlement offer of \$10,000.

Board Discussion: The Board's prior counterproposal of \$15,000 was more than fair. Rose used another person's identity without that person's permission. The Board discussed rejecting the \$10,000 offer and going to hearing on the original civil penalty of \$35,000.

BOARD ACTION: Moved by Andersen and carried to reject the proposed settlement offer of \$10,000, to withdraw the Board's offer of \$15,000 and to reinstate the original civil penalty of \$35,000.

VOTE: Chair Klimowicz voted; 7 ayes

b. Richard Goulette

On April 17, 2007, the Board issued a Notice of Proposed License Revocation, Civil Penalty of \$32,000 and Notice of Right to Hearing as follows:

- OAR 801-030-0005(2), Integrity and Objectivity; civil penalty \$11,000. Goulette signed three representation letters stating that the financial statements were prepared in accordance with GAAP and used the cash basis to report construction costs for year ended 2000 and 2001;
- OAR 801-030-0010 Competence and Technical Standards; civil penalty \$11,000. Did not accurately report construction costs for years ended 1999, 2000 and 2001;
- OAR 801-030-0010 (1) Technical Competence; civil penalty \$5,000. Goulette testified that he was unaware that he was bound by the Professional Code of Conduct;
- OAR 801-030-0020(1) Professional Misconduct; civil penalty \$5,000. Goulette did not obtain documentation to support journal entries, did not record \$2 million bank loan and did not inform others when 2001 financial statements were restated:

At 11:25 a.m. Mr. Goulette, Mr. Lagesen, (attorney for Goulette) and Mr. Gleason (Aquarium Board Member) entered the Board meeting. Gaffney, Johnson and Lind recused themselves from the discussion and from voting. Moss Adams was the successor Aquarium auditor, Johnson was an expert witness for civil litigation and Umpqua Bank had business dealings with the Aquarium.

Lagesen distributed a presentation outline that includes answer, statement of claims and affirmative defenses and a settlement proposal (Attachment A). Lagesen noted three areas of concern: *"the practicality and reasonableness of a literal application of ORS Chapter 673 and OAR Section 801 to a licensee not engaged in the practice of public accounting; the state of mind required for proving a violation and; specific factual concerns"*. Lagesen stated that when signing management letters, Goulette believed the letters to be truthful. When Goulette notarized the trust deed he believed it was for a personal loan to Phyllis Bell, Aquarium Director, and that if Goulette had fully read the document, he would not have notarized it. Goulette

believes that the document may have been altered after he notarized it. When a loan was converted to a donation, Bell advised Goulette that the new bank management had re-classified the donation to a loan and that she had the documentation. Goulette acted on Bell's direction. Goulette also stated that he, TKW and the Aquarium Board were all deceived by Bell.

Gleason stated that he was a member of the Aquarium Board for eight (8) years and that during Bell's employment with the Aquarium, Gleason was also deceived by Bell. During Bell's employment, the Board noticed that vendors were not being paid and bank obligations were not being met. Gleason stated that Goulette was acting as a bookkeeper under Bell's direction. Gleason believes that the Aquarium would not have survived had it not been for Goulette. Gleason stated that he and Goulette spent two or three months unwinding Bell's deceit and during that process he did not observe Goulette doing anything improper. After Bell was dismissed, the Aquarium raised \$500,000 to avoid bankruptcy. Goulette secured a \$5 million dollar loan and has worked the last two years to rebuild the Aquarium.

Goulette stated that he admired Bell and believed what she said. Goulette prepared financial statements that he believed were being delivered to the Board, when in fact, Bell altered the financial statements before Board review. In hind-site, Goulette agreed that he could have done a much better job by insisting on documentation, questioning Bell's authority and advising Board members when Goulette had doubts.

When questioned about the construction work in progress, Goulette said that he did not see invoices from the construction company and Bell advised him that there were no outstanding construction payments. Bell told Goulette that she was paying the construction invoices as they were received.

Goulette was questioned about professional skepticism. Goulette stated that he knew that Bell kept documents in her office. Andersen noted that Goulette signed a document stating that Goulette made all records available and yet he knew that Bell still had documents in her possession.

Lagesen stated that their settlement proposal is fair and they do not believe that revocation is necessary. He further stated that the whole unfortunate situation that arose at the Oregon Coast Aquarium is rooted in the fact that Bell as President and CFO deliberately lied and misled the Aquarium Board, independent auditors and employees, including Mr. Goulette. They left the meeting at 12:13 p.m.

Board Discussion: Johnson, Gaffney and Lind recused themselves from the discussion and from voting. The Board considered whether Goulette's continued licensure would pose a threat to public protection. The Board also noted red flags that Goulette did not act on, including a large construction project in progress for which Goulette did not see payments to the construction company.

BOARD ACTION: Moved by Andersen and carried to reject Goulette's settlement proposal.

VOTE: Chair Klimowicz voted; 4 ayes, 3 abstained (Johnson, Gaffney, Lind)

BOARD ACTION: Moved by Andersen and carried that Dover negotiate a penalty no less than a three (3) year suspension and a civil penalty not less than \$10,000.

VOTE: Chair Klimowicz voted; 4 ayes, 3 abstained (Johnson, Gaffney, Lind)

c. Cleary & Gill

The Board reviewed a proposed consent order from Cleary & Gill in which they conceded to the violations and Cleary & Gill agree to submit payment of the civil penalty.

BOARD ACTION: Moved by Johnson and carried to accept the proposed consent order.

VOTE: Chair Klimowicz voted; 7 ayes

B. Other

a. Steege Application

The Board previously received an application for CPA certificate and permit to practice public accounting. The applicant reported a felony conviction in 2001 and provided information regarding the conviction. The applicant has provided additional information requested by the Board.

Board Discussion: *The first-degree felony conviction is of the highest nature in the State of Washington. Additional information disclosed two probation violations that are cause for concern. One of these involved unauthorized use of equipment at applicant's place of employment for activities that were prohibited under the terms of the probation order. Applicant then lied to his employer. The applicant knowingly continued the criminal activity. The Board believes that the conviction and subsequent parole violations present a threat to public protection because each event involved a violation of a trust relationship; further one parole violation occurred while applicant was employed by a public accounting firm. Integrity and honest are the highest standards to which a certified public accountant is held.*

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

VOTE: Chair Klimowicz voted; 7 ayes

b. Pauley Application

The Board previously received an application for CPA certificate and permit to practice public accounting. The applicant reported a felony conviction. The Board requested information about applicant's military record.

Board Discussion: *The Board reviewed additional information and determined that the conviction was a misdemeanor. The conviction does not relate to dishonesty, the applicant was 19 years old at date of incident and the applicant had no criminal activity in the military.*

BOARD ACTION: Moved by Gaffney and carried to approve the application.

VOTE: Chair Klimowicz voted; 7 ayes

c. Petition for Depositions

The Board reviewed a petition from Frank Lagesen Esq. to take depositions from a staff person and a volunteer committee member regarding the Goulette case. Rives noted that denying the petition would not prevent Lagesen from accessing requested information.

BOARD ACTION: Moved by Bailey and carried to deny the petition to take depositions.

VOTE: Chair Klimowicz voted; 7 ayes

- d. Sarbanes Oxley Confidentiality Provisions:** *defer to October work session*
1. DOJ memo dated July 25, 2007
 2. DOJ memo dated October 5, 2004
 3. Sarbanes Oxley Sec 104(5) et seq
 4. Letters from Ernst & Young, KPMG and Deloitte and *Ernst & Young*

e. Seydel Lewis Poe Moeller & Gunderson, LLC

The Board previously reviewed the independent accountant's report applying agreed-upon procedures for five pre-issuance engagements of various sizes and scope performed by Seydel Lewis Poe Moeller & Gunderson, LLC. The Board concurred that the pre-issuance report reflected significant problems with Seydel Lewis Poe Moeller & Gunderson audits. Rives contacted Seydel Lewis Poe Moeller & Gunderson, LLC and requested the firm to agree to a new consent order under which Seydel agrees to have pre-issuance review of all audits for one year and after one year the Board will revisit the requirement.

Board Discussion: *Bailey and Andersen recused themselves from the discussion and from voting. Seydel will not agree to have pre-issuance review of all audits performed for a period of one year. Based on the results five (5) pre-issuance reviews, the Board discussed referring these pre-issuance reviews to the Complaints Committee for recommendation.*

BOARD ACTION: Moved by Johnson and carried to refer the five (5) pre-issuance reviews to the Complaints Committee for review.

VOTE: Chair Klimowicz voted; 5 ayes, 2 abstained (Andersen, Bailey)

f. Stephan Sykes

When preparing the Notice of Proposed Civil Penalty and Notice of Right to Hearing, Board staff found an additional violation: hindering an Investigation, in violation of OAR 801-030-0020(7)(c), and revised the Notice to include this violation.

BOARD ACTION: Moved by Johnson and carried to ratify Notice N-07-007 of Proposed Civil Penalty and Notice of Right to Hearing for Stephan Sykes to assess an additional \$5,000 civil penalty for violation of OAR 801-030-0020(7)(c) for a total civil penalty of \$26,000.

VOTE: Chair Klimowicz voted; 7 ayes

7. COMPLAINTS

A. Report of Complaints Committee

1. Acceptance of Minutes

BOARD ACTION: Moved by Bailey and carried to accept the June 8, 2007 minutes and to approve the Consent Agenda.

VOTE: Chair Klimowicz voted; 7 ayes

B. Consent Agenda

1. Recommendations

*a. Rossman Nicholls PC

06-04-013

*b. Brian Carr	06-04-014
Robert Armstrong	06-05-024
*c. William Perry	06-05-018
*d. Thomas Graves	06-06-026
*e. Robert Edwards	06-10-045

****Items moved to 7.C. for discussion***

C. Items Removed from Consent Agenda

1. Rossman Nicholls PC 06-04-013

Rossman Nicholls PC (Firm) purchased a public accounting practice (Practice). While Firm was in the process of purchasing Practice, the Practice and the Firm's partner Michael Nicholls (Nicholls) agreed to prepare an "Offer in Compromise" (OIC) for R. B. (Client). Client filed lawsuit against Nicholls for damages when Nicholls failed to timely prepare the OIC. In compliance with Board requirements, Firm reported the lawsuit on the 2006 Firm renewal.

ALLEGED VIOLATIONS:

801-030-0010(1) Competence (2003)

A licensee shall not undertake any engagement for the performance of professional services which the licensee cannot reasonably expect to complete with due professional competence, including compliance, when applicable, with sections (2) and (3) of this rule.

Nicholls agreed to complete Client's OIC with due professional competence and to timely submit OIC to IRS. Nicholls had never before prepared an OIC. Nicholls undertook an engagement that he could not reasonably expect to complete with due professional competence when he relied on Practice and a staff member to prepare and file Client's OIC.

801-030-0020(1) Professional misconduct (2003)

(b) Professional misconduct may be established by reference to acts or conduct that would cause a reasonable person to have substantial doubts about the individual's honesty, fairness and respect for the rights of others or for the laws of the state and the Nation. The acts or conduct in question must be rationally connected to the person's fitness to practice public accountancy.

Nicholls assumed that staff timely completed and filed OIC for Client. Based on this assumption Nicholls told Client that OIC was filed. At a later date, Nicholls discovered that staff did not file OIC, contacted Client and offered to refund professional service fees or to provide the requested services.

801-030-0020(7) Board communications and investigations (2006)

(b) Licensees who receive any Board communication requesting the licensee to provide a written response shall:

(A) Provide a written response to the Board within 21 days of the date the Board communication was mailed.

Board mailed a notice of complaint to Firm on April 11, 2006. On May 12, 2006 Board received Firm's response to the notice of complaint. Firm did not respond to a Board communication request within 21 days of the date that the notice of complaint was mailed.

INVESTIGATOR SUMMARY

801-030-0010 (1) Competence (2003)

Agreed to perform services and relied on others for such performance

801-030-0020 (1)(b) Professional misconduct (2003)

Told Client that OIC was filed when it was not

801-030-0020(7)(b)(A) Board communications and investigations (2006)

Did not timely respond to Board communication

Ted Sumner Esq., attorney for Rossman Nicholls PC, attended the Committee meeting.

Committee Discussion: There was a lack of oversight by Nicholls when after the OIC was prepared staff did not mail the OIC to Internal Revenue Service. When Nicholls discovered that staff did not mail the OIC, he contacted Client and offered to either refund Client's professional service fees or to provide Client with the requested services. Nicholls took corrective action to mitigate the error. Nicholls did not respond to the Board notice of complaint within 21 days.

COMMITTEE RECOMMENDATION: Moved and carried to recommend no violation for OAR 801-030-0010(1) (2003) competence, no violation for OAR 801-030-0020(1) (2003) professional misconduct, and a \$1,000 civil penalty for violation of OAR 801-030-0020(7); (2006) Failure to timely respond to Board communication.

Board Discussion: The Board reviewed the investigation report and considered the Committee recommendation and agreed that Nichols error was corrected with no harm to the client.

BOARD ACTION: Moved by Bailey and carried to issue a \$1,000 civil penalty for violation of OAR 801-030-0020(7); (2006) failure to timely respond to Board communication.

VOTE: Chair Klimowicz voted; 7 ayes

2. Brian Carr

06-04-014

Robert Armstrong

06-05-024

For approximately twenty years, Robert Armstrong provided tax and accounting services to Company. Armstrong assigned monthly accounting and preparation of the 2004 corporate tax return to his employee, Brian Carr (Carr). Carr prepared Company's 2004 S-Corporation tax return. Armstrong reviewed, signed and delivered the return to Company. When Company applied for a loan Company discovered that the 2004 corporate tax return understated income by approximately \$172,000.

ALLEGED VIOLATIONS:

801-030-0010 (1) Competence (2005)

A licensee shall not undertake any engagement for the performance of professional services which the licensee cannot reasonably expect to complete with due professional competence, including compliance, when applicable, with sections (2) and (3) of this rule.

Armstrong assigned to Carr responsibility to record Company activity, verify that the amounts entered in the accounting program were accurate and prepare the tax return. Carr underreported income when he compared income only to the daily cashbook without verifying the amounts deposited to the bank. Although Armstrong thought that income may have been under reported, Armstrong signed the tax return with the intent of amending in the event the income reported was incorrect.

801-030-0020(9) Notification of change of address (2006)

Licensees are required to maintain a current record with the Board of the information described in this rule, and to provide written notice to the Board of any change in such information within 30 days of such change. Written notice required under this rule may be provided by US mail, private delivery service, fax transmittal, e-mail or personal delivery. The information required under this rule will not be accepted over the telephone.

Carr terminated employment on December 31, 2005. Starting on January 1, 2006 Carr worked from his home.

The Board mailed a notice of the complaint to Carr on April 11, 2006 at his address of record. The Board's letter was returned.

On April 20, 2006 Carr notified the Board of his new address, which was longer than 30 days after such change.

INVESTIGATOR SUMMARY

ARMSTRONG

801-030-0010 (1) Competence (2005)

Understated income on Company tax return

CARR

801-030-0010 (1) Competence (2005)

Understated income on Company tax return

801-030-0020(9) Notification of change of address (2006)

Failure to provide notice of change of address

Armstrong presented documentation to the Committee and stated that he reviewed the returns prepared by Carr and questioned the income. He states that Carr verified and reported back, and Armstrong signed the return.

Armstrong left the room when Carr appeared in person at 1:30 p.m. Carr states that Armstrong did not request him to review or verify the inconsistent income for client's tax return or discuss the return with Carr. Rather, Carr states that after preparing the return, he did not see the file again. Carr agrees that there was a mistake. The normal procedure is for Carr to prepare the return, have someone review his work, make corrections if necessary and give the return to Armstrong for signature. In this case, Carr states that he did not see the file again after his initial preparation.

Committee Discussion: Committee members questioned Armstrong and Carr individually. Armstrong provided Committee with paperwork to support Armstrong's position. Carr failed to enter all of Company's income, resulting in Armstrong signing an inaccurate tax return. Carr discussed office procedures to verify accuracy of information and stated that because the office was understaffed normal procedures were not followed. Carr agreed that he should have taken additional steps to verify that the Company's tax return was prepared correctly. Armstrong and Carr mitigated Company's damages by reimbursing Company for penalties and interest.

COMMITTEE RECOMMENDATION:

Armstrong: Moved and carried to recommend no violation of OAR 801-030-0010(1) (2005) Competence.

Carr: Moved and carried to recommend no violation of OAR 801-030-0010(1) (2005) Competence, and a \$100 civil penalty for violation of 801-030-0020(9) (2006); failure to notify Board of change of address within 30 days.

Board Discussion: *At 9:45 a.m. Mr. Carr arrived at the meeting. Carr thought he had submitted a change of address to the Board, but has no evidence of such. Carr stated that he was attending the meeting to answer Board questions. The Board reviewed the investigation report and discussed the information reviewed by the complaints committee.*

The Board discussed the error that occurred in the preparation of the tax return, and determined that it does not indicate a lack of competency. It appears that there was a lack of communication, and that the resulting mistake was corrected with no harm to the client.

BOARD ACTION: Moved by Bailey and carried to approve the committee recommendation of no violation for Armstrong and Carr as to competency requirements; and to assess a \$100 civil penalty against Brian Carr for violation of OAR 801-030-0020(9) (2006); failure to notify Board of change of address within 30 days.

VOTE: Chair Klimowicz voted; 7 ayes

3. William Perry 06-05-018

William Perry, CPA (Perry) could not pay the mortgage on his house and offered it for sale to Complainant who was both a friend and client to Perry. Perry wanted to sell his house to Complainant because Perry was in danger of foreclosure. The terms of the sale allowed Perry to reside in the house and pay rent to Complainant. Perry did not pay rent to Complainant. Complainant filed suit against Perry and a settlement agreement was reached in which Perry agreed to pay rent or vacate the property. After the settlement agreement was reached, Perry still could not pay the rent. Perry vacated the property but did not notify the Board that he changed his personal and business address.

ALLEGED VIOLATIONS:

OAR 801-030-0015(2)(b) Requested Records (2005)

Licensees are required to furnish the following records to a client or former client, upon request, within a reasonable time after such request:

(A) In response to a client's request for client records, made within a reasonable time, that occurs prior to issuance of a tax return, financial statement, report or other

document prepared by a licensee, the licensee shall furnish to the client or former client any accounting or other records belonging to or obtained from or on behalf of the client that the licensee received for the client's account or removed from the client's premises.

Complainant requested that Perry return Complainant's records that were needed to prepare his 2005 tax return. Perry stated that he did not have any records relevant to the 2005 tax return, and that the only documents in his possession were for tax years prior to 2005.

After Perry's attorney copied and catalogued the documents for hearing they were returned to Complainant.

801-030-0020(1) Professional Misconduct (2006)

(a) A licensee shall not commit any act or engage in any conduct that reflects adversely on the licensee's fitness to practice public accountancy.

(b) Professional misconduct may be established by reference to acts or conduct that would cause a reasonable person to have substantial doubts about the individual's honesty, fairness and respect for the rights of others or for the laws of the state and the Nation. The acts or conduct in question must be rationally connected to the person's fitness to practice public accountancy.

When Perry told Complainant that he was in financial difficulty and ill, Complainant agreed to purchase Perry's personal residence. Perry agreed to pay rent or move out of the house if he could not pay rent.

Perry did not pay rent to Complainant and did not move out of the house. Complainant relied on the rental payment to pay the mortgage payment. Perry's conduct would cause a reasonable person to have doubts about Perry's honesty, fairness and respect for the rights of Complainant.

801-030-0020(8)(a) Business transactions with clients (2006)

Except for business transactions that occur in the ordinary course of business, licensees shall not enter into a business transaction with a client if the licensee and client have differing interests therein unless the client has consented to the transaction after full disclosure of the differing interests in writing. Disclosure in writing shall be made prior to the time the business transaction is accepted.

Perry told Complainant that he was having financial difficulties and thought that he may have a recurrence of a serious medical condition, and Complainant agreed to purchase Perry's house based on their long-standing friendship and Perry's situation.

01-030-0020(9) Notification of change of address, employer or assumed business name (2007)

Licensees are required to maintain a current record with the Board of the information described in this rule, and to provide written notice to the Board of any change in such information within 30 days of such change. Written notice required under this rule may be provided by US mail, private delivery service, fax transmittal,

email or personal delivery. The information required under this rule will not be accepted over the telephone:

(a) Licensee's current business and residential address. If the number of a post office box, mail drop or pick-up service is provided for either address, the licensee must also provide the physical address;

(b) The name and address of licensee's current employer; and

Perry did not notify the Board within 30 days that he changed his business and personal address.

INVESTIGATOR SUMMARY

OAR 801-030-0015(2)(b) Requested records (2006)

Return client records

801-030-0020(1)(a) and (b) Professional misconduct (2006)

Honesty, fairness and respect for the rights of others

801-030-0020(8)(a) Business transactions with clients (2006)

Did not provide notice of differing interests

801-030-0020(9)(a) and (b) Notification of change of address, employer or assumed business name (2007)

Did not notify the Board of change of address within 30 days

Committee Discussion: Aldrich has a conflict of interest; he was not present for discussion or voting. Licensee's attorney returned complainants original documents after they were copied for litigation. Licensee did not timely vacate the house as agreed, but that may have been attributed to health problems.

COMMITTEE RECOMMENDATION: Moved by Brown and carried to recommend a \$100 civil penalty for violation of 801-030-0020(9)(a) and (b); failure to notify Board of change of address within 30 days.

Board Discussion: At 11:00 a.m. Norm Hill, attorney for Perry, arrived at the meeting. Hill stated that Perry concurred with the Committee recommendation and that he was attending the meeting to answer Board questions. The Board reviewed the investigation report and discussed the information reviewed by the complaints committee.

BOARD ACTION: Moved by Bailey and carried to issue a \$100 civil penalty and change the committee recommended rule citation to OAR 801-030-0020(9)(a); failure to notify Board of change of address within 30 days.

VOTE: Chair Klimowicz voted; 7 ayes

4. Thomas Graves 06-06-026

Thomas Graves (Graves) provided various professional services to Attorney. Attorney represented Wife who was suing Husband for Spousal Support Modification. At Attorney's request, Graves contacted Husband to inquire about a company owned by Husband. Graves did not disclose to Husband that the purpose of his inquiry was to obtain financial information for Attorney's client in the Spousal Support Modification.

ALLEGED VIOLATIONS:

ORS 673.170(2)(b)

Dishonesty, fraud or gross negligence in the practice of public accountancy.

OAR 801-030-0020(1) Professional misconduct (2006)

(a) A licensee shall not commit any act or engage in any conduct that reflects adversely on the licensee's fitness to practice public accountancy.

(b) Professional misconduct may be established by reference to acts or conduct that would cause a reasonable person to have substantial doubts about the individual's honesty, fairness and respect for the rights of others or for the laws of the state and the Nation. The acts or conduct in question must be rationally connected to the person's fitness to practice public accountancy.

Graves contacted Husband for the purpose of obtaining financial information about Husband's business. Graves did not disclose to Husband that he was acting as an agent for attorney or that the true purpose of his inquiry was to obtain financial information about Company that would be used against Husband in a hearing relating to Spousal Support Modification.

Graves conduct would cause a reasonable person to have substantial doubts about Graves' honesty, fairness and respect for the rights of others.

INVESTIGATOR SUMMARY

ORS 673.170(2)(b) (2006)

Dishonesty in the practice of public accountancy

Fairness and respect for the rights of others

Committee Discussion: Licensee failed to disclose to Husband the true purpose of his telephone inquiry. The Committee noted that the Oregon State Bar investigated the attorney and the attorney was issued a letter of admonition.

COMMITTEE RECOMMENDATION: Moved by Brown and carried to recommend a \$2,500 civil penalty for violation of ORS 673.170(2)(b) (2006) and OAR 801-030-0020(1)(a) and (b) (2006) Professional Misconduct.

Board Discussion: *Graves and M. Scott Leibenguth Esq. arrived at the meeting at 12:55 p.m.*

Graves presented a handout (Attachment B) requesting that the Board adopt the suggestion of Darrell Dorrell, CPA, Financial Forensics and Complaints Committee Member: complete Ethics CPE; complete 8 hours of CPE in litigation services practices and procedures and; letter of reprimand from the Board of Accountancy.

Leibenguth stated that Graves has provided accounting assistance to the Law Firm Johnston, Root & Leibenguth P.C. (Firm) and that Graves has a good reputation with respect to support modification cases. The Firm requested that Graves determine if Husband of Firm's client had unreported business income. Graves had only 24-48 hours to gather the information. The Law Firm took responsibility for requesting that Graves make the phone call without fully disclosing his identity or the true nature of the call.

Graves stated that:

- he did not disguise his intent, but that he also did not disclose his intent;*
- he did not intend to tell client's husband the true purpose of the call;*

- *he did not ask client's husband any questions other than questions regarding a website;*
- *he was acting as an agent for the attorney to gather information about husband's company.*

When questioned what he would do differently – Graves responded “tell the person who I am and who I am working for.”

BOARD ACTION: Moved by Gaffney and carried to assess 4 hours of Ethics CPE; 8 hours of CPE in litigation services practices and procedures and; a letter of censure for violation of OAR 801-030-0020(1)(b), Misconduct.

VOTE: Chair Klimowicz voted; 7 ayes

5. Robert Edwards 06-10-045

Robert T. Edwards (Edwards), employee of Grove Mueller & Swank PC (Firm) was assigned as Firm's audit manager of the June 30, 2003 audit of State Landscape Architect Board (SLAB). As part of the investigation, Edwards was interviewed to determine his involvement in audit procedures and work paper documentation. Based on the audit working papers and the interview, it was determined that the preponderance of the audit fieldwork was performed by Edwards. Charles Swank reviewed and signed the audit report.

ALLEGED VIOLATIONS:

Competence and Technical Standards (2003)

801-030-0010 (1) Competence *A licensee shall not undertake any engagement for the performance of professional services which the licensee cannot reasonably expect to complete with due professional competence, including compliance, when applicable, with sections (2) and (3) of this rule.*

(2) Auditing standards. *A licensee shall not permit the licensee's name to be associated with financial statements in such a manner as to imply that the licensee is independent with respect to such financial statements unless the licensee has complied with applicable generally accepted auditing standards. Statements on Auditing Standards issued by the AICPA, and other pronouncements having similar generally recognized authority, are considered to be interpretations of generally accepted auditing standards, and departures therefrom must be justified when such standards are not followed.*

Government Auditing Standards

GAS 4.25 through 4.29 describes safeguarding of assets. AICPA standards and GAGAS require auditors to plan the audit to provide reasonable assurance of detecting material fraud, including material misappropriation of assets and to design the audit to provide reasonable assurance that the financial statements are free of material misstatements.

GAS 4.34 through 4.38 describe Working paper requirements. *Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant conclusions and judgments.*

Edwards assessed inherent risk as low for cash receipts, accounts receivable, revenues, cash disbursements, accounts payable, and expenses. Edwards did not document SLAB's size and complexity and did not document the basis for his determination.

Edwards' working papers did not include sufficient information to enable an experienced auditor to ascertain from them the evidence to support the conclusions and judgments reached. Edwards himself was unable to describe audit procedures that were followed because the working papers were inadequate to support conclusions of the audit.

SLAB had a single employee (the Administrator) who was responsible for all Board operations. The Board provided oversight of Administrator activities. Edwards interviewed the Administrator, but did not interview Board members regarding the level of oversight.

INVESTIGATOR SUMMARY

Competence and Technical Standards (2003)

801-030-0010 (1) Competence and (2) Auditing Standards

Did not comply with applicable Government Auditing Standards

Committee Discussion: As part of the investigation, Edwards was separately interviewed about his responsibilities in the audit of SLAB. Edward's was not able to respond to many of the interview questions citing the lapse of time. When questioned, Edwards could not obtain enough information from the audit work papers to answer some questions. Committee noted some inconsistencies in Edward's responses during the interview; For instance, Edwards stated that the budget was unreliable and later referred to the budget as a source to rely upon; There was a lack of cross-references and the audit work papers were not supported by conclusions. Working papers for this audit prepared by Edwards did not meet applicable Government Auditing Standards. Edwards was unable to explain 'what' was completed, 'why' things were not completed and 'whether or not' they were completed. The Committee discussed possible sanctions, including revocation, pre-issuance review, hours and subject matter of potential CPE and a possible civil penalty.

COMMITTEE RECOMMENDATION: Moved by Brown and carried to recommend assessing a civil penalty of \$1,000 for violation of OAR 801-030-0010(1) (2003) Competence and (2) Auditing Standards, and assess an additional 20 hours of CPE as follows:

- 16 CPE hours of Planning and Documentation; course to be designed specifically for Grove, Mueller, Swank
- 4 CPE hours in Review and Supervision; course to be designed specifically for Grove, Mueller, Swank
- Firm to choose CPE instructor, subject to Board approval of both the instructor and course content
- Courses to be completed within 6 months of the date of the Order
- If Edwards is unable to attend the CPE as outlined above (*eg: change of*

employment), Edwards is to attend 20 hours of CPE in audit standards as outlined above.

Board Discussion: *Robert Edwards, Charles Swank and Ted Sumner, Esq. arrived at 2:00 p.m. Gaffney declared a conflict and recused himself from the discussion and from voting. Moss Adams now employs a CPA who was previously employed by the Audit Division and involved in the investigation of this case.*

Edwards assessed the agency as low risk even though the administrator was the agency's only employee, which should have indicated an obvious problem with regard to segregation of duties. The Board asked how Edwards was able to reach his conclusions without proper documentation. Edwards stated that he was more concerned with disbursements and that he failed to review the checks issued by the Agency.

The audit did not comply with GAAS. Edwards advised the Board that his auditing procedures now include the following:

- slow down and think the process through before starting the audit;*
- detail the planning stage;*
- ensure the Board treasurer opens the bank statements and reviews cancelled checks;*
- review the original documents;*
- cross reference conversations and documents;*
- verify the sequence of checks;*
- verify that working papers are complete prior to the partner review.*

BOARD ACTION: Moved by Johnson and carried to assess a three (3) month suspension; a \$1,000 civil penalty; four (4) hours of CPE in Review and Supervision and; 32 hours of CPE in Risk Assessment (detailed below) for violation of OAR 801-030-0010(1) (2003) Competence and (2) Auditing Standards:

- 32 CPE hours of Planning and Documentation; course to be designed specifically for Grove, Mueller, Swank
- 4 CPE hours in Review and Supervision; course to be designed specifically for Grove, Mueller, Swank
- Firm to choose CPE instructor, subject to Board approval of both the instructor and course content
- Courses to be completed within 6 months of the date of the Order
- If Edwards is unable to attend the CPE as outlined above (*eg: change of employment*), Edwards is to attend 32 hours of CPE in audit standards as outlined above.

VOTE: Chair Klimowicz voted; 6 ayes, 1 abstained (Gaffney)

D. Old Business

1. Grove Mueller & Swank

The Board requested that Grove Mueller & Swank P.C. (GMS) submit a list of all municipal audits conducted by the Firm during the years 2004 and 2005. GMS submitted a list of seventy-eight audit clients and the Board requested that GMS submit workpapers from four of the seventy-eight. Four Committee members reviewed and reported on the four GMS audits. The Board wanted to

evaluate the four additional audits to determine if there may be a systemic problem with audits performed by the Firm.

Charles Swank, CPA reviewed and signed each of the four GMS audit reports:

- Marion County - Managing auditors are Devan Esch and Robert Edwards
- Springfield Public Schools - Managing auditor is Larry Grant and audit staff Michele Heckel
- City of Dallas - Managing auditor is Thomas Glogau
- Oregon Cascades West Council of Governments - Managing auditor is Robert Edwards.

Committee Discussion: The Committee noted that, with the exception of Marion County, documentation for risk assessment was lacking. Some documentation did not meet SAS 96 requirements. It was sometimes difficult to identify the assigned staff, manager and reviewing partner. On one audit, Swank initialed as audit reviewer after the report date. The Committee expressed concerns about the lack of:

- Documentation to support conclusions
- Sufficient planning regarding risk assessment
- Cross references and remarks.

COMMITTEE RECOMMENDATION: Moved and carried to recommend assessing a total civil penalty of \$25,000 (outlined below), 20 hours of additional CPE (outlined below) and pre-issuance audit reviews (outlined below):

Civil Penalties:

- \$20,000 (\$5,000 each for four violations) of OAR 801-030-0010 (2003), Competence and Technical Standards:
 - (1) Inadequate evidence of supervision and review of audit workpapers;
 - (2) Inadequate workpaper documentation by failing to describe alternative testing procedures, required by SAS 96, effective May 15, 2002;
 - (3) Failure to document sufficient evidence to support conclusions, required by Generally Accepted Auditing Standards (GAAS);
 - (4) Lack of Due Professional Care in audit procedures.
- \$ 5,000 for violation of OAR 801-030-0015(2), (2003) Client records and working papers

CPE:

- 16 hours of CPE for all staff members who performed audit work for Grove Mueller & Swank PC (GMS), covering audit planning and documentation and presented by an outside instructor not related to GMS
- Every staff member who performs audits on behalf of GMS is required to attend the 16 hours of CPE in planning and documentation

- An additional 4 hours of CPE in review and supervision for all managers and partners of GMS also presented by an outside instructor not related to GMS
- Management of GMS is required to inform staff of the reason that 16 hours of additional CPE is required and that the additional CPE will not be included in the 80 hours required for renewal
- Firm shall select CPE provider and course content subject to approval by the Board
- CPE Courses to be completed within 6 months of the date of the Order

Pre-Issuance Reviews:

- 15% of all audits performed shall be subject to pre-issuance review
- Pre-issuance review shall include a review of GMS planning procedures and documents prepared before substantive audit procedures are initiated by GMS (If Sun West audits are selected for pre-issuance review, Sun West shall be counted as a single audit).
- Pre-issuance audit reviews to begin 12 months after the 16 hour CPE requirement is completed
- Board may take additional action if one or more pre-issuance reviews have significant comments.

Board Discussion: Charles Swank, CPA and Tom Glogau, CPA arrived at the meeting at 10:00 a.m. Swank stated that the Firm is changing their processes by adding additional education for staff, implementing the McGladrey audit program, enhancing additional planning stage documentation, dedicating a person to quality control and following through when questions arise.

Gaffney recused himself from the discussion and from voting as a former Secretary of State investigator is working for Moss Adams. Andersen recused himself from the discussion and from voting as Jones and Roth is the predecessor auditor of Springfield Public Schools.

The Board reviewed a matrix (Attachment C) prepared by Bailey. The Board expressed concern about the over-all quality of the GMS audits.

BOARD ACTION: Moved by Bailey and carried to accept the complaints committee recommendation except for the \$5,000 civil penalty for violation of OAR 801-030-0015(2), (2003) Client records and working papers, for a total civil penalty of \$20,000.

VOTE: Chair Klimowicz voted; 5 ayes, 2 abstained (Gaffney, Andersen)

2. Gary Stapleton

Gary Stapleton (Stapleton) deducted alimony on Mark and Carol Chaney's (Client) 2003 tax return. The deduction was disallowed by Oregon Department of Revenue.

ALLEGED VIOLATIONS:

801-030-0010 (1) Competence

A licensee shall not undertake any engagement for the performance of professional services, which the licensee cannot reasonably expect to complete with due professional competence.

Client told Stapleton that he paid \$24,000 in alimony. Stapleton said that Client did not explain that \$24,000 was paid over five years through a garnishment. Stapleton was not aware that Client paid alimony through a garnishment or that wages were garnished for years prior to 2003.

Stapleton considered it reasonable that Client paid the alimony from pension and annuity distributions based on a discussion with Client in which Client asked Stapleton about using the distributions to pay outstanding debts. For that reason, Stapleton did not request that Client submit documentation for the alimony deduction.

Client said that Stapleton asked and Client confirmed that Client had documentation to support the deduction. Client described to the Board that this documentation was print outs from wage garnishments.

Stapleton reimbursed professional fees of \$200 charged to prepare the 2002 amended return after the amended return was denied by DOR.

INVESTIGATOR SUMMARY

801-030-0010 (1) Competence

Alimony paid over five years deducted on the 2003 tax return

Committee Discussion: In 2002, Stapleton prepared an offer in compromise for husband. No alimony payable was reported in the offer in compromise – only overdue child support. Stapleton knew or should have known when Stapleton prepared the offer in compromise that child support was in arrears but that no overdue alimony was reported. With the offer in compromise information and after Department of Revenue rejected a deduction for spousal support on the 2003 tax return, Stapleton should have asked more questions about alimony before preparing an amended 2002 tax return. Prior to Husband and Wife's marriage, Stapleton prepared separate tax returns for Husband and Wife. Stapleton prepared Husband's return as single without an exemption and Wife's return as head of household with Husband as her dependent. Wife could not claim Husband as her dependent because Husband did not qualify. Husband's income exceeded the amount allowed for Husband to be claimed as a dependent. Stapleton prepared Husband as Wife's dependent for years 1999 through 2001.

COMMITTEE RECOMMENDATION: Moved and carried to recommend assessing a civil penalty of \$20,000 for violation of OAR 801-030-0010(1) (2003); three violations for filing wife as head of household with a dependent that did not qualify (\$5,000 x 3) and one violation for amending the 2002 tax return to reduce income by alimony, such alimony disallowed on the 2003 tax return (\$5,000), and 16 additional hours of CPE in Individual Income Tax Preparation.

Mr. Stapleton entered the Board room at 12:13 p.m. and explained that he was appearing before the Board to request a reduced civil penalty. He said that he

believed he used due diligence with respect to the alimony deduction. He stated that his clients did not tell him that the alimony payments were made over several years. Stapleton further stated that he was trying to help his client pay less taxes when, on the Wife's tax return, he used the filing status "Head of Household" and claimed a dependent that did not qualify.

Board Discussion: *Stapleton knowingly exhibited disregard for the tax laws. Stapleton said his clients had large alimony and child support debt and he was just trying to help them out. The Board discussed revocation as Stapleton knowingly committed fraud. Dover advised Stapleton that a person is engaging in criminal conduct when they knowingly do something that is against the law. Dover advised Stapleton to stop talking and to obtain counsel. The Board went into Executive session at 12:35 p.m. and reconvened at 12:50 p.m.*

BOARD ACTION: Moved by Klimowicz to accept the Committee recommendation assessing a civil penalty of \$20,000 for violation of OAR 801-030-0010(1) (2003); three violations for filing wife as head of household with a dependent that did not qualify (\$5,000 x 3) and one violation for amending the 2002 tax return to reduce income by alimony, such alimony disallowed on the 2003 tax return (\$5,000), and 16 additional hours of CPE in Individual Income Tax Preparation.

VOTE: Chair Klimowicz voted; 7 nays
Motion failed

BOARD ACTION: Moved by Johnson and carried to revoke Stapleton's CPA permit and assess a \$3,000 civil penalty for knowingly misrepresenting the facts on Wife's tax return when Stapleton used the Head of Household filing status and claimed a dependent that did not qualify; in violation of OAR 801-030-005(2), integrity and objectivity; OAR 801-030-0010(1), competence and OAR 801-030-0020(1)(b), professional misconduct.

VOTE: Chair Klimowicz voted; 7 ayes

8. REPORT OF ADMINISTRATOR

A. Letter from AICPA re: Peer Review Disclosure

This item is informational only.

B. Licensee as Independent Contractors

Board staff has received inquiries from licensees who are doing attest work for firms as a contract employee. The licensees ask if they are required to enroll in a Peer Review Program. Staff questions whether these licensees should list all the firms that they contract with on their individual renewal application.

BOARD ACTION: Defer to the October Board meeting for discussion.

C. Draft RFP: Contract Investigators

The RFP was forwarded to the Department of Justice for review. It will then be submitted to the DAS State Procurement Office for review. Ms. Rives asked the Board members for clarification on eligibility of applicants with prior disciplinary action. It was decided that this would not be an automatic disqualifier, that a case-by-case determination would be appropriate. The Board asked that two complaint committee members and one Board member

form a sub-committee to review the responses received to determine eligibility to the pool of contract investigators.

D. Secretary of State, Division of Audits

Mr. Phil Hopkins, Audit Manager from SoS, Division of Audits, joined the meeting to collaborate on municipal audits. Mr. Hopkins is the manager of the municipal audit section and does both field reviews and desk reviews of firms that are conducting governmental audits. Mr. Hopkins department works with firms on deficiencies of a report rather than issuing civil penalties. When Mr. Hopkins conducts his audit, he is only comparing the reports to the standards and verifying that all standards are being satisfied. Each firm receives a letter after the review is conducted which details any findings that may have been found during the audit. This letter is public information and the Board would like to start getting a copy of letters that require an amended report, re-issuance of a report and all field review reports.

E. Procedures for PRE-Issuance Reviews

BOARD ACTION: Defer to October work session.

F. DOJ/OAH Biennial Cost Report

This item is informational only.

G. Administrator's Reimbursable Expense Report

The Board reviewed a spreadsheet of the Administrator's reimbursed expenses for fiscal year 2006-07.

BOARD ACTION: Gaffney moved and carried to approve Administrator out-of-pocket expenses for fiscal year 2006-07.

VOTE: Chair Klimowicz voted; 6 ayes, 1 excused (Morris)

9. PUBLIC COMMENTS

None

10. REPORT OF OAIA

NSA will hold a conference in Portland August 15-18, 2007. OAIA has not had a response from Senator Wyden or Senator Smith regarding the letters requesting assistance in the matter with the IRS regarding Oregon Public Accountants.

11. REPORT OF OSCPA

The society provided Mr. Andersen with the names of the individuals who have agreed to join the mobility taskforce. The society has a team set-up to assist on a taskforce to help create a policy for the pre and post issuance report matrix, if the Board would like to do this. The town halls will start in September. If a Board member is planning on attending a meeting, they should let Cheryl know so that she can give the member time on the agenda to address the agenda. The Board will try to have at least one member at each of the town halls.

12. OLD BUSINESS

A. John Gregor

Mr. Gregor submitted his first pre-issuance review as required to comply with a

consent order. The format is different than formats that the Board has seen. The members were presented with a proposed matrix format that could be provided when pre or post issuance review is part of a consent order. The Board directed staff to send Mr. Gregor an acknowledgement letter of the report and include the matrix that is to be used as a tool for future reports.

BOARD ACTION: Defer further discussion of the matrix to the fall work session.

13. CONTINUING PROFESSIONAL EDUCATION

A. No meeting held

14. PEER REVIEW OVERSIGHT

A. Report of Peer Review Oversight Committee

1. Acceptance of Minutes

a. July 24, 2007

BOARD ACTION: Moved by Andersen and carried to accept the Peer Review Oversight minutes dated July 24, 2007.

VOTE: Chair Klimowicz voted; 5 ayes, 2 absent (Morris, Johnson)

B. Items Removed from Consent Agenda

1. Recommendations

a. Procedures regarding PCAOB Reports

Deferred to the October 8, 2007 Board Meeting Peer Review Report

b. 16 hours of attest CPE for licensees who perform attest functions

Deferred to the October 8, 2007 Board Meeting Peer Review Report

c. Proposed PRO committee members Robert Yingling and Stanley Martin

Deferred to the October 8, 2007 Board Meeting Peer Review Report.

Rives noted that Robert Yingling declined the invitation to serve on the PRO Committee as he is a member of the Peer Review Report Acceptance Body at OSCP.

15. QUALIFICATIONS COMMITTEE

A. Report of Qualifications Committee

1. Acceptance of Minutes

a. July 17, 2007

BOARD ACTION: Moved by Gaffney and carried to accept minutes dated July 17, 2007.

VOTE: Chair Klimowicz voted; 5 ayes, 2 absent (Morris, Johnson)

B. Consent Agenda

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

VOTE: Chair Klimowicz voted; 5 ayes, 2 absent (Morris, Johnson)

1. Recommendations

a. Marina Birman

07-05-011

Ms. Birman gained her experience with the following employers:

Xerox Office Group

11 mos.

All competencies

Rick Hug

3.5 mos.

None

Ms. Birman passed the CPA Exam in May 1999. Ms. Birman gained her experience while employed at Xerox Office Group as a General Ledger Accountant. Ms. Birman was responsible for GAAP reporting, complex analysis and account reconciliations, monthly financial close tasks, and complex projects involving cross departmental teams. She also worked with the Internal Controls Department with the Sarbanes Oxley related issues. The reviewer reported that the write-up clearly demonstrated that all competencies were met.

COMMITTEE RECOMMENDATION: Mr. Ashford moved and it was carried to recommend approval of the CPA Certificate application for Ms. Marina Birman.

Vote: 6 ayes; 1 excused (Carey)

b. Bridget Cross 07-05-012

Ms. Cross gained her experience with the following employer:
Tektronix 104 mos. All competencies

Ms. Cross passed the CPA exam in May 1999. Ms. Cross gained her competency in the seven core areas by working as a U.S. Income Tax Analyst. The applicant demonstrated competency in her responsibilities of financial statement preparation, account reconciliation, preparation of income tax filings and audit workpapers, and data analysis and reporting for transfer pricing, and SEC requirements. The reviewer is confident the applicant has achieved competency in all seven competencies.

COMMITTEE RECOMMENDATION: Moved by Rawls and carried to recommend approval of the CPA Certificate application for Ms. Cross.

Vote: 6 ayes; 1 excused (Carey)

c. Christine Davis 07-05-010

Ms. Davis gained her experience with the following employer:
IRS 55 mos. All competencies

Ms. Davis passed the CPA exam in November 2001. Ms. Davis gained her experience in the seven core competencies by serving as an Internal Revenue Agent. The reviewer stated the write up clearly demonstrated the qualifications of this candidate.

COMMITTEE RECOMMENDATION: Moved by Selid and carried to recommend approval of Christine Davis' application for certification.

Vote: 6 ayes; 1 excused (Carey)

d. Taesang 'Ted' Song 07-06-013

Mr. Song gained his experience with the following employers:
Nike 20 mos. All competencies
Regence Group 22.5 mos. All competencies

Mr. Song passed the CPA Exam in November 2001. Mr. Song previously applied for certification and was denied for not having enough experience and not meeting all competencies. Mr. Song left Nike and is now employed with the Regence Group. Mr. Song is heavily involved in financial analysis, budgeting with Regence. The write-up is clear and complete and clearly demonstrates that Mr. Song has met all competencies.

COMMITTEE RECOMMENDATION: Moved by Selid and carried to approve the certification application for Mr. Song.

Vote: 6 ayes; 1 excused (Carey)

e. Mark Staehnke

07-05-008

Mr. Staehnke gained his experience with the following employer:

Con-Way 35.5 mos. All competencies

Mr. Staehnke passed the CPA exam on November 18, 2006. Mr.

Staehnke served as a Senior Financial Analyst at Con-Way providing assessments of existing and proposed financial plans and policies, produce, audit, maintain and distribute highly complex financial reporting, auditing and record keeping activities.

Ms. Santiago called the supervisor licensee who spoke very highly of Mr. Staehnke and his work performance, and the experience certification confirms that the applicant has achieved all competencies.

COMMITTEE RECOMMENDATION: Moved by Santiago and carried to approve the certification application for Mr. Mark Staehnke.

Vote: 6 ayes; 1 excused (Carey)

C. Items Removed from Consent Agenda

1. Kirk Kaufman

07-05-009

Mr. Kaufman gained his experience with the following employer:

Liberty NW Insurance 160 mos. All competencies

Mr. Kaufman passed the exam on May 3, 2007. Mr. Kaufman worked as an Accounts Receivable Manager. Mr. Emberland reviewed the information sent by the employer and determined that the applicant has not clearly demonstrated the competencies in his capacity as an accounts receivable manager. The write up was vague and general as well as the job description. The description of the applicant's work experience does not adequately demonstrate that the applicant has achieved the competencies.

COMMITTEE RECOMMENDATION: Moved by Emberland and carried to deny the certification application for Mr. Kaufman.

Vote: 6 ayes; 1 excused (Carey)

Board Discussion: Mr. Gaffney explained that the file did not clearly demonstrate that the applicant had met the competencies and the supervisor licensee's role was also unclear and moved to deny the application.

Vote: Chair Klimowicz voted; 5 ayes, 2 absent (Morris, Johnson)

16. CPA EXAM

A. Exam Review Board Report – Past Issue

For information only.

B. CBT Contract and Sale of Thomson Prometric

For information only.

17. CODE OF PROFESSIONAL CONDUCT

A. Report of the Code of Professional Conduct Committee

1. Acceptance of Minutes

a. August 1, 2007

BOARD ACTION: Moved by Johnson to accept the minutes dated August 1, 2007.

VOTE: Chair Klimowicz voted; 5 ayes, 2 absent (Morris, Johnson)

Board Discussion: Mr. Johnson noted that the committee discussed the definition of the practice of public accountancy and recommended that the definition be modified.

18. NEW BUSINESS

A. Board Member Appointment

The Board discussed current board member terms. Ms. **Klimowicz's** term expires the end of this year. Mr. **Bailey's** term will expire in September 2008. Mr. Bailey is willing to serve a third term if there is support by the Board, the society and the Governor. The six-year terms for **Stuart Morris, PA** and **Jens Andersen** will expire in December 2008. Between January 2008 and January 2009 three or possibly four members will be reappointed, including the position for a public accountant.

Mr. Johnson announced that he will be on sabbatical at the University of Queensland in Australia beginning January 2008 through June 2008. The Board expressed sympathy for this duty.

OSCPA has a potential replacement who has given a tentative yes to be considered for Chair Klimowicz' position. Board staff will work with the OSCP A to recommend a replacement to the Governor.

19. PROCESS OBSERVER REPORT

Mr. Gaffney reported that the meeting went very well especially with the number of guests present. He noted that it is important for guests to discuss their issues face to face with the Board.

20. NEXT MEETING

Date: October 7, 2007 Work Session 8:00 a.m.
October 8, 2007 Board Meeting 8:00 a.m.

Location: Salishan Resort
7760 N Highway 101
Glenden Beach, OR
(541) 764-3605

21. ADJOURNED

There being no further business, the meeting adjourned at 5:55 p.m.