

OREGON BOARD OF ACCOUNTANCY
BOARD MEETING MINUTES
August 6, 2012

Board of Accountancy Office

2nd Floor Conference Room

Salem OR

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

BOARD MEMBERS:

Roberta Newhouse, CPA, *Chair*
Jessie Bridgham, CPA, *Vice Chair*
Ann Ferguson, CPA, *Treasurer*
Roger Graham, *Public Member*
Al Crackenberg, PA
Scott Wright, CPA
Larry Brown, CPA

BOARD STAFF:

Pat Hearn, Executive Director (*out at 9:30*)
Kimberly Sisk, Exec. Assistant
Noela Kitterman, Investigator
Susan Bischoff, AAG
Heather Shepherd, Cte. Coordinator (*9:32am*)

GUESTS:

Sherri McPherson, OSCPA Representative
Jason Orme, CPA, OSCPA Representative (*10:45 am*)
Chris Acarregui / Frank Lagesen, Atty. (*11:30 a.m.*)
Gary Cordy, Sr. Asst. Atty General, Labor and Employment Section

Debbie Pillsbury-Harvey, DAS HR
Kent Bailey, CPA
Lori Wren, by phone (*1:00 p.m.*)

Items appear in the order of occurrence.

1. CALL TO ORDER

Chair Newhouse called the meeting to order at 8:30 a.m. She announced that the meeting was recorded.

The Board immediately adjourned public session and convened in Executive Session pursuant to ORS 192.660(2)(f) for discussion of records exempt by law. No staff, including the Executive Director is allowed to be present; the Human Resources manager is allowed to be present. (ORS 40.225)

The Board meeting reconvened at 9:00 a.m. Chair Newhouse stated that she had given a good deal of consideration to the needs of the Board, the needs of staff, and the work of the Agency over the past several months. Chair Newhouse stated that the Board performs important work for the state and the accounting profession. Open communication, follow-through, and transparency between the Agency and the Board is critical to the ability to accomplish the work we do. The same is true of the work performed by staff. These critical components are currently lacking and to ensure quality communication, transparency and follow-through, a change at the helm of the Agency is necessary.

Therefore, before the Board moves on to approval of the minutes and the other agenda items, Chair Newhouse made a motion for the termination of the current Executive Director.

BOARD ACTION: Moved by Chair Newhouse and carried to terminate the employment of Executive Director, Pat Hearn, effective immediately.

VOTE: 5 ayes, 2 nays (Wright and Crackenberg)

2. APPROVAL OF MINUTES

A. May 20, 2012

Ms. Ferguson noted some grammatical and formatting edits.

BOARD ACTION: Moved by Mr. Brown and carried to approve the minutes with edits.

VOTE: 6 ayes, 1 abstention (Ferguson)

B. May 21, 2012

BOARD ACTION: Moved by Mr. Wright and carried to approve the minutes as written.

VOTE: 7 ayes.

18. E. Robert Lane

Mr. Lane passed the CPA examination in 1979 as a Washington candidate. He applied for and received a Washington *certificate* and held that certificate from 1979 to May 7, 2012. A certificate does not allow an individual to practice public accounting. Mr. Lane received a CPA license in Washington on May 8, 2012, 33 years after passing the CPA examination. He applied to Oregon by reciprocity on May 9, 2012.

The Washington Board of Accountancy does not have a time limit on when the examination scores expire; rather they base the licensing requirements to the time when the applicant passed the exam as opposed to Oregon's rule that all requirements, including passing the exam, must be within 8 years.

Oregon's reciprocity rules do not address the timeliness of the examination scores in relation to when the applicant applies for a license. Mr. Lane indicates that he took 120 hours of CPE in the spring of 2011 in order to apply for a CPA license in Washington. When approved, Mr. Lane applied in Oregon for reciprocity. Mr. Lane indicates that he has worked in Oregon since 1997 as a VP in the health profession.

Mr. Lane indicated that he obtained one-year experience while under the supervision of Al Smith in March 2011. Mr. Smith resides in Wenatchee, Washington.

BOARD ACTION: Moved by Mr. Graham and carried to grant reciprocity to Mr. Lane.

VOTE: 5 ayes, 2 nays (Graham and Wright)

18. I. Alfred Fleckenstein

The Board did not have the appropriate material to make a decision on Mr. Fleckenstein's application for licensure. The Board requested staff to send a letter asking for further information and the matter would be reconsidered at the October 22, 2012 Board meeting.

The Board recessed public session and convened to Executive Session pursuant to ORS 192.660(2)(f) at 10:50 a.m. Public Session was reconvened at 11:20 a.m.

4. C. Chris Acarregui 10-130CNK

The Board was presented with a proposed Stipulation and Order drafted by Pat Hearn and Frank Lagesen. Mr. Acarregui agrees that if reinstated, he would not practice public accountancy.

The sale agreement and employment agreements that were received from Mr. Acarregui would allow him to continue to practice in the “back room” which is contrary to Board rules; a suspended licensee cannot practice public accountancy. Mr. Lagesen stated that Mr. Hearn did not mention this provision of the rules and they were under the impression that this arrangement would be acceptable and that is the reason it is stated in the proposed Stipulation and Order.

Mr. Lagesen stated that Mr. Acarregui would have a tax practice, but would not sign or meet with clients, simply take information obtained to prepare schedule and returns and someone else would review and sign. The Board agreed that this would be considered the practice of public accountancy and contrary to our rules.

BOARD ACTION: Moved by Ms. Bridgham and carried to deny the proposed Stipulation and Order presented.

VOTE: 7 ayes.

Ms. Bischoff will be in contact with Mr. Lagesen to create a new settlement.

4. A. Robert Campbell 11-007CNK

A proposed Stipulation and Order was presented to the Board for consideration. Mr. Campbell engaged Stewart Parmele, CPA to perform a peer review of his firm. An engagement letter was signed for this service. There was a fee dispute between the parties and Mr. Campbell did not pay for the services rendered. The Board voted at its meeting on October 3, 2011, that there was a preliminary finding of violation of OAR 801-030-0020(1), professional misconduct for failure to timely pay for the peer review in accordance with the engagement letter he signed.

The proposal includes a \$1500 civil penalty which will split into monthly payments for 7 months.

BOARD ACTION: Moved by Mr. Graham and carried to approve the proposed Stipulation and Order as submitted.

VOTE: 7 ayes.

4. B. Kevin Pryse 11-022CNK

A proposed Stipulation and Order was presented to the Board for its consideration in the case of Kevin Pryse. At the May 2012 Board meeting, the Board passed three motions to make a preliminary finding of violation. The first motion was for conflict of interest when Mr. Pryse provided tax services to husband-shareholder, wife-shareholder and WHA, while he was also a shareholder of WHA.

A preliminary finding of violation was also found for OAR 801-030-0010(1)(b), Due Professional Care, when Mr. Pryse did not report spousal support on either the wife-shareholder or the husband shareholder’s individual income tax returns, did not recommend that they file amended tax returns when he did not report all depreciation on WHA’s tax returns.

The preliminary finding of violation was found for OAR 801-030-0020(1), Professional Misconduct, when Mr. Pryse advised the wife-shareholder that she could resolve the duplicate repayment of the loan by giving him 10% of the \$24,000 that she received when the company was sold.

The settlement proposes a \$7,000 civil penalty and 16-hours of additional CPE pertaining to individual and business income tax returns.

BOARD ACTION: Moved by Mr. Brown and carried to approve the proposed Stipulation and Order as presented.

VOTE: 7 ayes.

4. D. Gary Mercer

11-014CNK

The Board reviewed a proposed Stipulation and Order prepared in the investigation of Mr. Mercer which began on March 10, 2011. Mr. Mercer sold his practice and transferred his client files to another CPA in January 2011. The client files were transferred without prior written consent from the clients. The Board found that there was sufficient evidence to find a preliminary violation of OAR 801-030-0015(1)(a)(A), Confidential Client Information, and OAR 801-030-0015(2)(d)(A), Custody and Disposition of Working Papers.

The proposal includes a \$500 civil penalty for the above violations.

BOARD ACTION: Moved by Mr. Graham and carried to approve the proposed Stipulation and Order as presented.

VOTE: 7 ayes.

3. B. 1. Frank Bernards

Mr. Bailey gave a synopsis of the case. Mr. Bernards provided accounting and tax services for a married couple and their jointly owned corporation. In early 2009, married clients were in the process of a contested divorce. The allegation by the attorney for one of the clients, alleged that Mr. Bernards breached his ethical duty to that client by failing to disclose and actual conflict of interest and by aiding one spouse in hiding assets from the other spouse.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0005(2), Integrity and Objectivity.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is insufficient evidence to find a violation of OAR 801-030-010(10)(b), Due Professional Care. Ms. Ferguson pointed out that the committee went against the recommendation of the investigator on this finding. The committee believed that this would have been a violation had the issue been continued over several years.

VOTE: 6 ayes, 1 opposed (Graham)

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is insufficient evidence to find a violation of OAR 801-030-0020(1)(c), Professional Misconduct.

VOTE: 7 ayes.

3.C.

1. 12-048NK

The complainant received an invoice from the CPA for over five times what they were expecting to pay. The complainant tried to resolve the billing issue with the CPA, but claims that the CPA was non-responsive. The respondent stated that his staff did not give him the letter or notes sent by complainant. He wrote off the invoice and sent a no balance due letter to respondent.

BOARD ACTION: Moved by Mr. Brown and carried to find that there is insufficient evidence to make a preliminary finding a violation of OAR 801-030-0020(1), Professional Misconduct.

VOTE: 7 ayes.

2. 11-042CI / 11-043CI

A CPA is a minority shareholder and engagement partner in a CPA office. He was responsible for audits of 2 municipalities. The audits were reviewed by the Secretary of State's Audits Division and they reported that both engagements lacked evidence that the all working papers had been prepared and reviewed. Neither engagement documented the engagement partner's supervisory review checklist as having been completed and signed.

The CPA firm is undergoing a transition to the electronic copies versus hard copies, which are subject to the same lock down and retention standards. The electronic file may not have had the review stage tool included; it was verified that it was filed with the working papers hardcopies.

BOARD ACTION: Moved by Mr. Brown and carried to accept the committee recommendation and find that there is insufficient evidence to make a preliminary finding of a violation of OAR 801-030-0010(1),(b), (c), (d) and (2) in both cases.

VOTE: 7 ayes.

3. 12-051CI

The engagement partner had primary responsibility to plan, perform and document the results of the firm's audits. He met those responsibilities; however, it was determined that certain required documentation was not completed or made a part of the official audit files within 60 days after the report was released.

Once notified by the Board, the missing audit documentation was prepared and added to the audit files. Upon review, it was determined that such audit evidence did not change the conclusions expressed in the independent auditors' reports.

One of the other Partners had a measure of responsibility for the engagement as well. As quality control director for the firm, he was responsible to provide the necessary firm resources to complete the engagements in accordance with professional standards. The firm's quality control director and senior audit shareholder knew what the professional requirements were when he agreed to manage the preparation and processing of the report and to sign it when it was ready for release.

The Complaints committee asked questions of the quality control director at its meeting in July and learned that he is simply responsible for too many areas of the engagement process. The committee recommended to the Board that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b), Due Professional Care.

BOARD ACTION: Moved by Mr. Brown and carried to find that there is insufficient evidence to make a preliminary finding of a violation of OAR 801-030-0010(1)(b), Due Professional Care.

VOTE: 7 ayes.

4. 12-033NK

The respondent is not licensed as a CPA in Oregon. He holds an active license in the state of Arizona. He advertised on CraigsList and on a website that he was a CPA practicing in Hillsboro, Oregon. This case will be reported to the Arizona Board. The respondent continues to have the website actively running.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is sufficient evidence to make a preliminary finding of a violation of ORS 673.320(3), Use of the CPA Designation without Holding an Oregon License.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is sufficient evidence to make a preliminary finding of a violation of OAR 801-030-0020(12), Continuing Violation of ORS 673.320(3)

VOTE: 7 ayes.

5. 12-034NK

The respondent's license to practice public accounting lapsed on July 1, 2009. He has continued to display a sign indicating that he is a CPA and has provided tax services to clients while lapsed. No reinstatement application has been requested.

BOARD ACTION: Moved by Ms. Bridgham and carried to accept the committee recommendation with a finding that there is sufficient evidence to make a preliminary finding of violation of ORS 673.320(3), Use of CPA Designation without Holding an Active License; OAR 801-030-0020(7)(b)(A), Failure to Respond to the Board; and OAR 801-030-0020(12), Continuing Violation.

VOTE: 7 ayes.

6. 11-052NK

A married couple was divorced in 2004. In 2010, the wife filed a petition for child support modification with the county circuit court. The licensee had prepared the 2007, 2008 and 2009 income tax returns for the husband and a business in which he held an ownership interest. The wife questioned how the CPA could justify using what appeared to be random numbers in preparing the husband's and the business tax returns. The wife's CPA found significant discrepancies in how the income and expenses were reported on the returns.

BOARD ACTION: Moved by Ms. Bridgham to accept the committee recommendation that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0005(2), Integrity and Objectivity.

Discussion: The Board was unsure how the committee found a violation of integrity and objectivity. The CPA was preparing for the husband and wife and son, but not the divorced spouse. Mr. Crackenberg cited Circular 230, and while it may seem odd, it is not a violation.

VOTE: Motion Failed: 2 ayes, 5 nays (Newhouse, Brown, Crackenberg, Ferguson, Wright)

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(a), Professional Competence.

Discussion: Ms. Kitterman explained that the tax returns were in question because the CPA used incorrect tax codes and failed to prepare and file gift tax returns.

VOTE: 5 ayes, 2 nays (Wright and Ferguson)

BOARD ACTION: Moved by Ms. Bridgham to find that there is sufficient evidence to make a preliminary finding of violation for OAR 801-030-0010(1)(b), Due Professional Care for failing to advise client of the obligation to pay officers.

VOTE: 5 ayes, 2 nays (Newhouse and Wright)

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is sufficient evidence to make a preliminary finding of violation for OAR 801-030-0020(1), Professional Misconduct.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(7)(b)(B), Responding Fully and Truthfully to Inquiries from and Comply with All Board Requests.

VOTE: 7 ayes.

7. 12-035NK

The Board received a telephone call from an individual regarding general information. During the phone conversation the individual mentioned he had a meeting with a CPA, owner of a firm in the area. The individual stated to Ms. Kitterman that he had interviewed with the CPA and had been offered a "deal" to allow use of his name in connection with renewing the firm's registration. The individual refused to be associated with the firm. While speaking with the individual, Ms. Kitterman reviewed the firm file and discovered that the individual's name was listed as a licensee working for the firm. The individual was unaware of this information.

It appeared that the firm had submitted a false renewal application to the Board. The firm did not have the necessary employees working to use a firm name that implied there was more than one licensed CPA on staff (plural name).

BOARD DISCUSSION: The CPA knowingly violated the administrative rules. He was aware that in order to use a plural name he must employ an additional CPA for at least 20 hours per week.

BOARD ACTION: Move by Ms. Bridgham and carried to fine that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(1), Professional Misconduct.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(6)(a), False and Misleading Firm Names.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(6)(c), Plural Names.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Ferguson and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0005(2), Objectivity and Integrity.

Discussion: This is an additional violation from what the complaints committee found. The rationale is that the licensee knowingly misrepresented facts by using someone else's name without their authorization. Mr. Wright stated that he believes this issue is covered in the professional misconduct violation.

VOTE: 5 ayes, 2 nays (Newhouse and Wright)

8. 11-058NK

The licensee prepared separate income tax returns for client domestic partners who share household expenses including those for their daughter. When the licensee prepared their returns, he determined that the expenses could be reassigned to allow each partner to claim one of the Oregon working family credit and a child care credit on their respective returns. The Department of Revenue requested documentation of the amount that one of the clients paid to a daycare provider. Some of the payments were disallowed because they had been paid by the other client. The complainant client questioned if the licensee used due professional care in determining which partner should have claimed their daughter's child care credit.

The licensee was also using a plural name while he was the only CPA working at the firm. Upon notification by the Board, the licensee changed the firm name and updated the website.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is insufficient evidence to make a preliminary finding of violation of ORS 673.160(1), Firm Registration.

Discussion: The firm advertised attestation services, but did not provide. The requirement to register as a firm is not needed.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0005(2), Integrity and Objectivity.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b), Due Professional Care.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(1), Professional Misconduct.

VOTE: 7 ayes.

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(6)(c), Plural Names.

Discussion: There was a reasonable attempt to do the right thing. Mr. Brown disagrees. The licensee researched the rules and then hired his wife as the receptionist.

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

BOARD ACTION: Moved by Ms. Bridgham and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-050-0020(2)(C), Peer Review Enrollment

VOTE: 7 ayes.

4. PROPOSED CASE SETTLEMENTS

A. 12-031NK

BOARD ACTION: Moved by Ms. Ferguson and carried to deny the proposed Stipulation and Order. There are discrepancies in the noticed Order that need to be addressed.

BOARD ACTION: Moved by Mr. Brown and carried to deny the proposed settlement.

Discussion: The Board needs to note that the application submitted for reinstatement is denied and change the suspension date to cover a tax season and the requirement to provide a letter to clients with approval from board. The licensee is not to practice while the license is suspended.

VOTE: 7 ayes.

B. Wayne Slovick

11-065NK

The Board reviewed the proposed Stipulation and Order in executive session. The proposal indicates a civil penalty amount that is incorrect. The Board will indicate in the cover letter that the fine for integrity and objectivity should have been \$5,000 rather than \$1,000 and that the violation found for professional misconduct should have been assessed \$1,000 rather than \$5,000.

The licensee in this case wrote and cashed a check made payable to himself from a family trust for \$1,200 that was not authorized by the trust. The licensee was previously the appointed trustee of the family trust but had resigned. The licensee did not transfer the bank account signature authority until 2012.

The licensee in this case did not break any laws since he had signature authority at the time.

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

VOTE: 6 ayes, 1 nay (Ferguson)

C. 12-002NK and 12-009NK

The individual in this case was practicing public accountancy in Oregon without an Oregon license. This person prepared and signed tax returns for 101 individuals for the 2010 tax period. The proposed Stipulation and Order is not sufficient for these violations. The Board will also issue a Cease and Desist Order.

BOARD ACTION: Moved by Mr. Brown and carried to deny the proposed Stipulation and Order presented to the Board.

VOTE: 7 ayes.

D. Robert Firebaugh

11-038NK

Mr. Firebaugh plead guilty to 41 counts of monetary and identity theft in the first degree. The proposed Stipulation and Order requires that Mr. Firebaugh's license in the State of Oregon be revoked effective August 6, 2012. The Order does not include any monetary fines.

Some members thought a monetary fine should be assessed.

BOARD ACTION: Moved by Mr. Brown and carried to accept the proposed Stipulation and Order as presented.

VOTE: 5 ayes, 2 opposed (Bridgham and Ferguson)

6. REPORT OF OAIA

Mr. Ron Johanasen attended the meeting for Stu Morris who was unavailable. Mr. Johanasen indicated that the OAIA is currently updating their by-laws. They are also doing away with the associate memberships.

7. OSCPA

Ms. Sherrie McPherson reported that she attended the NASBA Regional meeting in Anchorage Alaska in June. The Society is moving forward with legislation to gain semi-independence for the Board and looking for candidates to replace Ms. Ferguson's position on the Board.

8. OLD BUSINESS

Mr. Brown questioned who would take care of the lease negotiations since we are now without an Executive Director. Ms. Sisk mentioned that an email had just been sent from DAS Facilities, which indicated lease negotiations would need to be extended.

Semi-Independence was also discussed in terms of moving forward with legislation with no Executive Director on staff. The Board will re-visit this topic in the near future.

9. CONTINUING EDUCATION COMMITTEE

A. Minutes of July 17, 2012

These minutes were for information only.

B. Municipal Auditor Applications

1. Lauren DeLorenzo
2. Liping Jin
3. Kylie Moore
4. Brandon Holland
5. Katherine Wilson
6. Shasta Prunk

BOARD ACTION: Moved by Mr. Wright and carried to accept the applications listed above for admittance to the municipal auditor roster.

VOTE: 7 ayes

C. Items for Discussion

1. Stephen Shumrak

The licensee applied for a municipal auditor license in December 2011. The committee reviewed the application at their meeting in May 2012, at which time they voted to defer the application and request further information. The letter was sent to the licensee requesting documentation to be reviewed by the committee at the July 17, 2012 meeting; the licensee did not respond.

BOARD ACTION: Moved by Mr. Wright and carried to deny the application for municipal auditor submitted by Stephen Shumrak.

VOTE: 7 ayes.

2. Darlene Wilson

Ms. Wilson submitted an application to the Board for admittance to the municipal auditor roster. The CPE committee reviewed and requested additional information on the courses she reported. Ms. Wilson sent a letter of explanation, which was received on July 11, 2012. The Committee did not have an opportunity to review the letter, and therefore voted to deny Ms. Wilson's application.

The letter was presented to the Board and it was determined that it should be presented to the committee for a new recommendation based on the additional information.

BOARD ACTION: Moved by Mr. Wright and carried to send additional information back to the CPE committee for recommendation.

VOTE: 7 ayes.

Ms. Ferguson asked the Board whether CPE can be granted to those serving on the CPE committee. The CPE required of Oregon licensees must enhance their professional competence. It is difficult to determine if the work of the committee enhances professional competence.

10. PEER REVIEW OVERSIGHT COMMITTEE

A. Minutes of July 19, 2012

Minutes were provided for Board information only.

Ms. Shepherd reported that the committee has not reviewed the suggestions put forth from the AICPA regarding peer review rules (Division 050). In addition, the peer review waiver requests that are on the agenda today will also be referred to the committee for a recommendation to the Board.

The contract with the OSCP regarding peer review administration is currently in process.

11. QUALIFICATIONS COMMITTEE

A. Minutes of July 11, 2012

Minutes were provided for Board information only.

B. Consent Agenda

1. Kambra Anderson
2. Katie Arnold
3. Hirofumi Kurata
4. Kristopher Oslund
5. Gretchen Pitts
6. Cynthia Tomas
7. Shari White
8. Janet Metz

BOARD ACTION: Moved by Ms. Ferguson and carried to approve applicants 1, 2, 4, 5 and 6 for issuance of a CPA license.

VOTE: 7 ayes.

C. Items for Discussion

1. Hirofumi Kurata

Mr. Kurata attended the Qualifications Committee (QC) meeting by phone on July 11, 2012. The supervisor licensee signed off on all competencies for the work performed at Climax Portable Machine Tools, Inc, where Mr. Kurata worked for 24 months.

During the qualifications meeting, the committee members asked questions directly to Mr. Kurata. Mr. Kurata had difficulty answering some questions, possibly be due to a language barrier.

Board Discussion: Ms. Ferguson explained that Mr. Kurata attended the QC meeting to help answer any questions the committee may have on his application. The application and write-up was well documented. The applicant clearly did not understand the questions or simply could not answer the questions.

The supervisor licensee called Ms. Shepherd after the QC meeting. She indicated that she was also on the phone call, but didn't speak up. Ms. Shepherd encouraged her to put something in writing showing her support of the applicant. The supervisor licensee responded that she had talked with the applicant and they were not going to put forth any additional information for the Board to consider.

An applicant has the responsibility to prove to the Board and committee that they are competent. If they are unable to articulate that, then it seems that the application should be denied.

BOARD ACTION: Moved by Ms. Ferguson and carried to approve the application presented by Hirofumi Kurata.

VOTE: 6 ayes, 1 nay (Graham)

2. Janet Metz

Ms. Metz applied for a CPA license with experience gained while employed at the Oregon Audits Division. The supervisor licensee indicated that Ms. Metz had met all seven competencies under the Audit and Attest standards. Typically a government agency obtains the competencies under the category "Industry, Government or Other". Ms. Shepherd requested the supervisor licensee complete the forms under the government category and provide the necessary back-up.

Ms. Wenger of the Audits Division responded to Ms. Shepherd's request, and indicated that financial auditors at the Division perform attest and assurance engagements. Financial statements are prepared for government entities and comply with GAGAS and GAAS – AICPA Auditing Standards. The Division is not enrolled in a peer review program; however, a system review was done by the National State Auditors Association in May 2010.

The Qualifications committee could not come to a consensus on this matter and voted that the Board determine if experience working at the Division of Audits should be considered attest or under the government category.

Mr. Brown suggested that it is unfair to individuals being hired with the expectation they will receive a license. He suggests going forward with the collaboration we have established with the Division. The Board recognizes there is an attest function, but since we haven't seen in some time, the Board would like to have a better understanding of how they operate.

The Board would like to gather additional information before determining whether or not this experience can be considered attestation.

BOARD ACTION: Moved by Ms. Ferguson and carried to defer the application for Janet Metz so that the Board can gather additional information and understanding of their operations.

VOTE: 6 ayes, 1 abstention (Brown)

11.B.2. Approval of Applications

- a. CPA Certificates/Permits
- b. PA Licenses/Permits
- c. Firm Registrations

BOARD ACTION: Moved by Ms. Ferguson and carried to accept all application presented on the handout.

VOTE: 7 ayes.

12. EXAMINATION

A. Jilla Piroozmandi

Ms. Piroozmandi applied to take the CPA examination in March 2012. Transcripts were submitted from four US institutions and an evaluation of foreign education was also received. The candidate met the required hours in accounting and related subjects, however, the documents did not show that she had met the total required hours.

Ms. Piroozmandi indicated that, in 1980 she became a religious refugee in the US and there was no possibility for her to obtain an original transcript to provide to an evaluation agency for review.

She was able to provide a translation of her education, provided by a translation bureau in Iran, which indicates that she earned 141 semester hours, a bachelor degree and 8 hours in accounting and 22 in related subjects.

The Board is requested to consider waiving the requirement to have the evaluation prepared by an accepted evaluation agency due to the fact that they will only evaluate an original transcript and not a translation.

BOARD ACTION: Moved by Mr. Graham and carried to allow Ms. Jilla Piroozmandi to sit for the CPA examination with the evidence received.

VOTE: 6 ayes, 1 nay (Wright)

15. CHAIR REPORT

Ms. Newhouse reported that the Western Regional meeting in Anchorage Alaska was very informative. Many states reported using social media for board communication and it has been very successful in saving staff time.

She also reported that Oregon's 8-year time limit for applying for a license after passing the exam is not common among other states. There are also a number of states that allow a candidate to sit for the examination with 120 hours, but must earn 150 in to obtain the license.

16. VICE CHAIR REPORT

Ms. Bridgham would like to establish a rules task force to review all the OARs and determine what modifications and updates need to be made. Mr. Graham suggested hiring a professional writer to go through and catch the simple things or offer an internship to a college student.

17. TREASURER REPORT

The Board was presented with a cash flow statement prepared by DAS.

18. ITEMS FROM THE EXECUTIVE DIRECTOR

A. Online Licensing Project

The project is currently on hold. Meetings will be held this week to determine how the project will proceed going forward.

B. Documents Signed under Delegated Authority Information only.

C. Peer Review Waiver Requests

- a. Larry Rogers CPA PC
- b. David Freeman CPA PC

Refer these two requests to the Peer Review Oversight Committee.

D. Gary McGee, #07-01-008

In 2007, the Board received a complaint against Gary McKee regarding an audit of Klamath Lake Employment Training Institute (KLETI). The complaint and newspaper article was submitted by John Gregor. The newspaper article stated that the state board that oversees KLETI "terminated the institute's contract, citing dissatisfaction with the institute's response to a possible misappropriation of \$1.6 million in federal funds.

The Department of Justice (DOJ) opened an investigation into the matter. Ms. Kitterman spoke with DOJ investigator in 2007. The investigation by the DOJ is confidential and cannot be used by the Board for its investigation.

In 2009, Mr. McGee's attorney, contacted the Board and questioned the status of the investigation. He was informed that the board was instructed to defer an investigation until further notice was received by the DOJ.

Ms. Kitterman recently contacted the Department of Justice to find out the status of the case. She was told that the DOJ transferred their file to the Klamath County DA. There were concerns that the

KLETI director would leave the Klamath County jurisdiction. The KLETI Board removed the director and she has since moved to Texas.

The audit was performed in 2004, because of the passing time and difficulty obtaining information, it is requested that the Board close this case.

BOARD ACTION: Moved by Mr. Wright and carried to close the investigation for Gary McGee #07-01-008.

VOTE: 6 ayes, 1 absent (Brown)

H. Margaret McDowell

The Board, at its meeting in December 2011, found that there was sufficient evidence to find violation for ORS 673.160(1) and (2)(b), Failure to Register as a Firm when Providing Attest Work, and sufficient evidence to find a violation of OAR 801-030-0010(1)(b), Due Professional Care.

A Stipulation and Order was prepared and signed by Ms. McDowell on February 21, 2012. Ms. McDowell's proposed Stipulation and Order was to be presented to the Board for approval at the May 21, 2012 meeting.

Ms. McDowell sent an email to Ms. Kitterman on May 8, 2012 requesting an opportunity to present additional information to the Board at its meeting. Ms. Kitterman responded to the email, however, in transmission, the computer system failed and rather than sending the email, it was stored in drafts folder.

Unaware of this, the prepared Proposed Stipulation and Order, which only addressed the violation for failure to register as a firm, was presented and approved by the Board at the meeting.

Ms. McDowell was upset that she was unable to present the additional information to the Board and subsequently requested that her license be 'cancelled'. Mr. Hearn responded that she may resign her license.

There is a signed and accepted Stipulation and Order in place. Mr. Hearn did not have authority to override the Order with an offer for her to resign her license. Ms. Bischoff and Ms. Kitterman will work together to find a solution to be presented at the October board meeting.

The Board adjourned at 7:00 p.m.