

OREGON BOARD OF ACCOUNTANCY  
BOARD MINUTES  
June 28, 2010

Portland State University

School of Business **Room 296-8**

Portland OR

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

**Working lunch will be provided**

**BOARD MEMBERS:**

Dr. Ray Johnson, CPA, *Chair*  
Roberta Newhouse, CPA, *Vice Chair*  
Jessie Bridgham, CPA, *Treasurer (1:20 p.m.)*  
Kent Bailey, CPA  
Ann Ferguson, CPA *(2:30 p.m.)*  
Al Crackenberg, PA  
Dr. Roger Graham, *Public Member*

**BOARD STAFF:**

Pat Hearn, Executive Director  
Kimberly Bennett, Exec. Assistant  
Noela Kitterman, Investigator

**GUESTS:**

Stuart Morris, PA, OAIA Representative  
Cheryl Langley, OSCPA Representative  
Debbie Hollingsworth, CPA, OSCPA Representative  
Edd Doorn, CPA *(by phone at 1:22 p.m.)*  
David Christensen, CPA *(2:20 p.m.)*

1. **CALL TO ORDER**

Chair Johnson called the meeting to order at 12:15 p.m., announced the meeting was being recorded and immediately went into a non-public session pursuant to ORS 192.690 to deliberate on contested case(s).

The meeting was called back into public session at 1:17 p.m. Roger Graham was asked to serve as process observer for this meeting. Representatives from both the OAIA and the OSPCPA were welcomed.

2. **APPROVAL OF MINUTES – May 16, 2010  
May 17, 2010**

Ms. Bischoff questioned the substance of the discussion recorded on page 5 of the work session minutes with regard to her comments about contested case hearings. The Board agreed to strike the last paragraph in that section.

**BOARD ACTION:** Moved by Mr. Crackenberg and carried to accept the minutes as amended.

Vote: 6 ayes, 1 absent (Ferguson)

3. REPORT OF CHAIR

A. NASBA Regional Meetings

NASBA held its regional meeting in Seattle, Washington on June 23 through 25, 2010. Chair Johnson, Vice-Chair Newhouse, Kent Bailey, Al Crackenberg, Pat Hearn and Kimberly Bennett were all in attendance. The meeting was very informative. There was significant discussion on international testing for the CPA Examination as well as testing for IFRS beginning in 2011. The Board would like to discuss both topics at their August meeting.

David Costello, CEO of NASBA, has announced his retirement. He will officially retire in January 2012. To effectively prepare for the transition of leadership, the NASBA board has approved a formal process and Selection Advisory Committee to determine his successor. Each region was asked for feedback on the selection process and qualifications for applicants.

4. REPORT OF VICE CHAIR

No report

5. REPORT OF TREASURER

The Board reviewed all Cash Flow and Projections Report for 2009-2011. The legislature will require an estimated ending fund balance report. The Board will have to defend the ending balance when fund "sweeps" occur or during the 2011 legislative session.

6. COMPLAINTS COMMITTEE

A. Minutes of June 14, 2010 (Information Item)

B. Complaint Investigations **Action Item**

(1) Consent Agenda

a. Robert Wall 09-036CNK

Gerald Burns, CPA, was contracted by the Board to conduct the investigation on Mr. Wall. The investigation report presented to the committee lead them to determine that there was insufficient evidence to make a preliminary finding of a violation and that the matter should be dismissed.

b. Robin Gulde 09-044CNK

The committee reviewed the investigation report prepared by Noela Kitterman and determined that there was insufficient evidence to make a preliminary finding of a violation and that the matter should be dismissed.

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

VOTE: 6 ayes, 1 absent (Ferguson)

C. Investigations for Discussion

**Action Item**

(1) Brian Whitman

09-038CNK

Mr. Whitman performed an audit for the City of Dayville. The Division of Audits provides oversight of the work product of municipal auditors through a periodic technical review. The alleged violations are a result of the technical review.

The Board contracted with Gerald Burns, CPA, to investigate this matter. The independent auditor's report included with the financial statements had a non-compliance rate of 20%. This indicates a serious non-compliance with professional standards relating to the elements required to be included in the auditor's report. At the time of the audit, Mr. Whitman was operating his own firm, that firm has since been terminated. Mr. Whitman is currently employed by the Oster Professional Group.

The committee recommended to the Board that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1) and (2).

*Discussion: The Board noted that, because Mr. Whitman is now employed with the Oster Group, he would be subject to quality control within the firm and the same mistakes would not be repeated. However, if he terminates employment with the firm, his work could then be subject to potential violations.*

BOARD ACTION: Moved by Johnson and carried to assess a \$3,000 civil penalty, require 24 hours of CPE in GASB34 over the next two years. If Mr. Whitman leaves employment with the Oster Professional Group, the Board will require peer review on his first 5 audits.

VOTE: 7 ayes.

(2) Edd Doorn

Mr. Doorn joined the meeting by conference call. Mr. Doorn borrowed money from his client between 1993 and 1999 totaling approximately \$90,000. Mr. Doorn did not repay the client all the money owed and filed for bankruptcy without disclosing his intent to the client. The Complaints Committee recommended to the Board that there is sufficient evidence to make a preliminary finding of 14 violations of OAR 801-030-0020(1) and (2).

Mr. Doorn indicated that he did discuss the bankruptcy with his client. Mr. Doorn also indicates that the children of the client are preventing him from speaking directly to the client regarding any financial agreements or payments.

BOARD ACTION: Moved by Johnson and carried to proceed with notice of intent for violation for the following:

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- OAR 801-030-0020(1) and (2) Professional misconduct, Doorn borrowed money from client in August and November 1999 while in the process of filing for bankruptcy.
- OAR 801-030-0005(2), Integrity and objectivity, Doorn borrowed money from client in August 1999 and November 1999, which caused a conflict of interest with client.
- OAR 801-030-0020(1) and (2), Professional misconduct and OAR 801-030-0020(8), Business transactions with clients. Doorn entered into a rental/purchase agreement with client. Doorn didn't disclose in writing, to client, their differing interests to client (2004).
- OAR 801-030-0020(1) and (2), Professional misconduct. Doorn failed to pay rent to client for a period of eight (8) months.
- OAR 801-030-0020(8) Business transactions with clients when, on April 10, 2007, Mr. Doorn entered into a written agreement to repay \$85,000 to client, but did not disclose, in writing, their differing interests.
- OAR 801-030-0020(1) and (2) Professional misconduct when Doorn failed to repay \$85,000 to client according to the terms of the April 2007 agreement.

For each potential violation, the Board recommends the maximum civil penalty. In addition, the Board recommends that Mr. Doorn's license be suspended for a period of one to two years.

VOTE: 7 ayes

7. PROPOSED CASE SETTLEMENTS **Action Item**

A. Mark Samper

This is a case has been on a litigation monitoring agreement since 2003. Mr. Samper's attorney has proposed a stipulation and order to revoke his license.

BOARD ACTION: Moved by Graham and carried to accept the proposed settlement to revoke Mr. Mark Samper's CPA license.

VOTE: 7 ayes

B. Michael Holland

The Board was presented a proposed stipulation and order form Michael Holland. The order states that Mr. Holland's license will be revoked and he will be fined \$500 in civil penalties.

Mr. Holland paid the \$500 penalties in June.

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

VOTE: 7 ayes.

8. REPORT OF EXECUTIVE DIRECTOR Hearn

A. Request for Peer Review Waiver

The Board received a letter from Gary Kerr, PA, requesting a waiver of the peer review requirement beginning January 1, 2010. Mr. Kerr has had only one attest client who is going out of business. When Mr. Kerr was completing his firm registration renewal in December 2009, he was alerted to the fact that the peer review requirement was based on the prior two years. Mr. Kerr is no longer going to be performing any attest functions.

BOARD ACTION: Moved by Ms. Bridgham and carried to grant the waiver for the peer review period ending December 31, 2009, specifically stating that Mr. Kerr must not perform any attest of compilation services. If he has an attest engagement, he must have an immediate peer review and face the possibility of suspension. The Board asked staff to prepare such requirement in a contractual agreement to be signed by Mr. Kerr.

Vote: 7 ayes.

B. Reinstatement of Inactive and Lapsed Licenses

Mr. Hearn informed the Board that there has been a significant increase in the number of reinstatement applications being received by the Board office. He indicated that many licensees have been on lapsed status for 10-25 years and are now requesting reinstatement. After the initial 5 years on lapsed status, the CPE remains the same, the licensee is only required to pay additional fees to reinstate.

The Board would like to add this topic to the fall work session agenda.

C. Merina & Company LLP CPE Courses

Merina & Company LLP entered into a Stipulation and Order that required them to obtain additional CPE. The order also states that the provider of the CPE must be unrelated to the firm (respondents).

CPE courses were submitted for approval on February 11, 2010. It was discovered that a course was taught by a member of the firm. Credit for CPE program was denied and the firm employees must to obtain additional hours.

9. PUBLIC COMMENTS  
None

10. REPORT OF OAIA

Mr. Morris reported that the OAIA is aware of licensees who are working in non-public accounting and not doing attest, but want to be sure they follow the rules for financial statements.

11. REPORT OF OSCPA

The OSCPA is in the process of trying to recruit new members through a program called "Count Me In". They indicate that there has been a surge of interest on serving on various OSCPA committees.

12. OLD BUSINESS

A. David Christensen  
Mr. Christensen was present for the Board discussion. Mr. Christensen explained the circumstances surrounding his decisions and mistakes. He stated that he has learned from the experience and is trying to help others to not make the same mistakes.

The Administrative Law Judge recommended to the Board that they revoke Mr. David Christensen's license.

BOARD ACTION: Moved by Mr. Bailey and carried to accept the Administrative Law Judge recommendation to revoke the CPA certificate for David O. Christensen.

VOTE: 6 ayes, 1 abstention (Ferguson)

B. Firm Branch Office Request

The Board reviewed a request for a branch office from Buller, Wuite, Lawlor, Olsson & Rosenberg PC at their meeting in May. At that time, the Board requested further information, which has been received.

The Board asked for clarification on minimum number of hours each week that the licensee would be physically present at the branch office. The firm responded that they anticipated the licensee being present an average of 10 hours per week. The rules require that branch offices have a full time licensee at a branch office.

The Board is not comfortable at this time to approve the request to waive the requirement for a branch office to have a full time licensee on site.

The Board will, however, consider this topic for a possible rule change at their fall work session. Due to the increase in office's having the capability of electronic data, it may not be as important to have a full time licensee. The Board would welcome a firm representative to attend the work session and discuss this matter with them.

13. CONTINUING PROFESSIONAL EDUCATION

No meeting held

14. PEER REVIEW OVERSIGHT COMMITTEE

No meeting held

15. QUALIFICATIONS COMMITTEE

A. Minutes of June 2, 2010 (Info)

B. Consent Agenda

***Action Required***

- (1) Recommendations
  - a. April Hla Khaing/Approve
  - b. Shauna McKinney/Approve
  - c. Derron Moreland/Approve
  - d. Kandra Schmeltzer/Approve
  
- (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 the consent agenda.

VOTE: 7 ayes.

16. CPA EXAM

No Item

17. CODE OF PROFESISONAL CONDUCT

A. June 8, 2010 Meeting (no minutes)

The committee met to get input on the AICPA discussion paper concerning performing audits below cost. The committee had a very lively discussion. Dr. Johnson participated and was able to use that discussion in his presentation at the NASBA Regional meetings.

18. NEW BUSINESS

A. Comments by Billy Atkinson, Chairman, NASBA Board of Directors

Mr. Atkinson, Chairman of the NASBA Board of Directors was present at the Board meeting. Mr. Atkinson discussed various NASBA projects with a lengthy presentation on the Blue Ribbon Panel.

19. PROCESS OBSERVER REPORT

Mr. Graham stated that the Board was timely with their discussion.

20. The meeting adjourned at 5:00 p.m. The next meeting will be held on August 23, 2010 – NEW DATE, in Salem.