

OREGON BOARD OF ACCOUNTANCY  
BOARD MINUTES  
October 3, 2011

OSCPA Offices                      10206 SW Laurel St Beaverton OR 97005                      8:30 a.m.

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

**BOARD MEMBERS:**

Dr. Ray Johnson, CPA, *Chair*  
Roberta Newhouse, CPA, *Vice Chair*  
Jessie Bridgham, CPA, *Treasurer (9:30 a.m.)*  
Kent Bailey, CPA  
Al Crackenberg, PA  
Ann Ferguson, CPA  
Dr. Roger Graham, *Public Member*

**BOARD STAFF:**

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

**GUESTS:**

Sherri McPherson, OSCP Representative  
Michele Henney, OSCP Representative  
Richard Winkel, CPA  
Richard Potts  
Representative Katie Eyre - Noon

**1. CALL TO ORDER**

Chair Johnson called the meeting to order at 8:30, welcomed guests and announced the meeting was being recorded.

**2. APPROVAL OF MINUTES**

A. August 15, 2011

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

VOTE: 6 ayes (Bridgham absent)

**3. REPORT OF CHAIR**

**4. REPORT OF VICE CHAIR**

The Board discussed moving forward with proposed administrative rule changes considered during the October 2, 2011 work session. A final draft will be presented to the Board for adoption at the December 5, 2011 meeting.

**5. REPORT OF TREASURER**

A. Budget Wrap-up 2009-11 (Month 13)

## 6. COMPLAINTS COMMITTEE

A. September 23, 2011 Meeting Minutes (*Information Item*)

B. Complaint Investigations

### **Consent Agenda**

1. Grant Walding 10-018CDC

Grant Walding, when providing professional services during 2009, was met with a situation in which there was a conflict of interest. He disregarded the accusations of a conflict of interest by other parties and fulfilled the instructions from his client, the Tax Matters Partner (TMP) of a partnership. By complying with the instructions of the TMP, a financial liability was created for the partnership and an asset was created to benefit one of Mr. Walding's individual clients, who was the TMP.

The investigator in this case, Don Crabtree, recommended the committee find Mr. Walding in violation of OAR 801-030-0005(2)(a), integrity and objectivity, for failing to withdraw from a situation in which he has a conflict of interest.

The Complaints Committee discussed whether or not Mr. Walding knew there was a conflict of interest between partners, and the timeframe in which he became aware. Mr. Walding stated that he found out in a meeting on December 23, 2009 and informed the partnership that he could no longer provide services to them at that time.

**COMMITTEE RECOMMENDATION:** The committee voted to find that there is INSUFFICIENT evidence to make a preliminary finding of violation of OAR 801-030-0005(2)(a)

**BOARD ACTION:** Moved by Bridgham and carried to accept the committee recommendation.

**VOTE:** 7 ayes.

2. Robert Morrison 11-021CNK

Mr. Morrison is not a licensee of the Board. He is licensed as a tax consultant with the Oregon Board of Tax Practitioners. He issued a compilation report for one of his clients. Mr. Morrison provided the client with the compilation report and associated financial statements when he issued the client's tax return. The client inquired about the services of another bookkeeper who is associated with Stewart Hayes, CPA. The bookkeeper forwarded the tax return, compilation report and financial statements to Mr. Hayes for review.

Mr. Morrison indicated that the financial statement package, including the compilation report, was a feature included in his tax software. He did not know that he needed to be licensed as a CPA to issue a compilation report.

Mr. Morrison's tax software automatically generates the compilation report if the preparer selects the option to print a financial statement. There is no warning that the compilation report can only be issued by a licensed CPA. When Mr. Morrison was made aware of the error, he immediately stopped issuing compilations reports and apologized.

The Complaints Committee did not feel this was an egregious violation and the compilation reports were not related to an audit.

**COMMITTEE RECOMMENDATION:** Find that there is INSUFFICIENT evidence to make a preliminary finding of a violation of ORS 673.320(1), requirements for providing attestation or compilation services.

**BOARD ACTION:** Moved by Ms. Bridgham and carried to accept the committee recommendation of insufficient evidence.

**VOTE:** 7 ayes.

#### C. Investigations for Discussion

1. Richard Winkel 11-004CNK

Mr. Brown, investigator for this matter joined the meeting via phone and gave history of this case. Mr. Winkel is a licensee of the board and holds a municipal license as well. The Division of Audits provides oversight of audit services performed for local governments. The complaint arose from the results of the technical review of the annual audit report for Ballston Community School for the year ended June 30, 2009.

Mr. Brown reported that, after review of the financial statements, that it did not appear that it was deficient enough to rise to a level of material non conformity with GAAP of GAAS. However, the audit documentation included in the work papers, with respect to the audit procedures related to revenue and expenditures, is not adequate.

**COMMITTEE RECOMMENDATION:** Find that there is INSUFFICIENT evidence to make a preliminary finding of a violation of OAR-801-030-0010(2), failure to comply with accounting principles. The Committee also recommends that there is SUFFICIENT evidence to make a preliminary finding of a violation of OAR 801-030-0010(1) and (2), failure to comply with General Standards and Auditing Standards.

*Board Discussion: Mr. Winkel was present and Mr. Brown participated by phone. Mr. Winkel stated that he understands that improvement was needed and appreciates the opportunity to make this a learning process. The Board asked several questions of both Mr. Brown and Mr. Winkel.*

BOARD ACTION: Moved by Ms. Bridgham to accept the committee recommendation.

VOTE: 7 ayes.

2. Robert Campbell 11-007CNK

*Jessie Brigham declared a conflict of interest and recused herself from the discussion and vote as she is an employee of Mr. Michael Piels.*

Stewart Parmele, a partner at Michael L. Piels Certified Public Accountants, performed a peer review for the firm Robert A. Campbell CPA PC. Mr. Campbell was billed in accordance with the terms of the engagement letter; however, Mr. Campbell did not pay Mr. Piels for the services. The OSCPA Peer Review committee sent an acceptance letter to Mr. Campbell. According to Board rules, Mr. Campbell is required to send a copy of that letter within 45 days of receipt. He did not do so.

COMMITTEE RECOMMENDATION: Moved to find that there is SUFFICIENT evidence to make a preliminary finding of violation of OAR 801-050-0040(2), Notice to Board and SUFFICIENT evidence to make a preliminary finding of a violation of OAR 801-030-0020(1), Professional Misconduct.

BOARD ACTION: Moved by Mr. Crackenberg to accept the committee recommendation.

VOTE: 6 ayes, 1 abstention (Bridgham)

D. Executive Session (ORS 192.660(2)(F) AND ORS 192.690)

## 7. PROPOSED CASE SETTLEMENTS

A. Michael MacBryde 11-081CNK

The Board reviewed a proposed stipulation and order for Mr. MacBryde. Mr. MacBryde signed an audit report on behalf of PricewaterhouseCoopers LLP without being licensed as a municipal auditor in the State of Oregon. Mr. MacBryde immediately enrolled in courses and was admitted to the roster on August 15, 2011.

BOARD ACTION: Moved by Mr. Bailey and carried to accept the proposed stipulation and order assessing a \$1500 civil penalty.

VOTE: 7 ayes.

B. Richard Donaca 10-091CNK  
No action. Proposed settlement not yet reached.

C. Nancy Sikora– no item 10-105CNK

No action. Proposed settlement not yet reached.

D. Eric Schoenstein 11-025CNK

*Roger Graham declared a conflict of interest and recused himself because Mr. Schoenstein is financially involved in one of the programs in which Dr. Graham teaches at Oregon State University.*

Mr. Schoenstein used the CPA designation while holding an inactive license. Once notified, he took immediate steps to correct. The proposed stipulation and order assesses an \$1800 civil penalty for use of the designation without an active license.

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

VOTE: 6 ayes, 1 abstention (Graham)

8. **REPORT OF EXECUTIVE DIRECTOR**

A. On-line licensing project update

Mr. Hearn reported that the project continues to move forward and that it is picking up speed and keeping on the timeline. Mr. Hearn and Ms. Bennett will be attending a user conference hosted by GL Solutions in October.

B. Delegated Authority Update

At the last Board meeting, members requested that, when Mr. Hearn uses his delegated authority to sign orders or subpoenas etc., that he give a report at the subsequent meeting. Mr. Hearn reported that he had not signed any orders under his delegated authority since the August 15 meeting.

C. Ronald Bales Update

Mr. Bales sent a letter to the Board in February 2011 requesting a 3-6 month extension to complete his peer review. The Board granted the extension and informed Mr. Bales that he must complete the peer review and provide verification to the Board of such by October 1, 2011. The board received no response from the licensee.

Mr. Bales' license lapsed on July 1, 2011 and therefore, his firm was also terminated. Notification of such was sent to him. He sent a letter in September again asking for an exception to the peer review rules. Mr. Hearn and Mr. Bales had a phone conversation on September 26<sup>th</sup> regarding his requests and again, Mr. Bales requested the Board

allow him to perform two engagements that generally begin in September and wrap up by January.

Ms. Barker informed the Board that Mr. Bales is not enrolled in peer review and that he did not pay his AICPA dues and therefore was dropped.

BOARD ACTION: Moved by Mr. Bailey and carried to deny the request for an extension or exception to the peer review rules.

VOTE: 7 ayes.

*Roger Graham left the meeting at 1:25 p.m.*

D. Recording Policy Discussion with Legal Counsel

The Board currently records both Board meetings and committee meetings. Due to the new law which requires complaints to remain confidential until action is taken by the Board, the Board will review the recording policy.

Persons who are found to have a potential violation often desire to come before the Board. Ms. Bischoff recommends that those persons attend the Complaints Committee meeting rather than the Board meeting, as the Complaints Committee is part of the investigatory process and makes a recommendation to the Board.

The Board does not want to hinder or discourage licensees from participating in both the committee and/or the Board meetings; however, the emphasis should be to appear at the Complaints Committee meetings. Individuals who attend the Board meetings will be allowed to make a brief statement.

The Board concluded that the public meetings of both the Board and Complaints Committee will be recorded and that the executive session portion of the Complaints Committee meetings will be recorded. Board executive sessions will not be recorded.

E. Robert Firebaugh Representation Request

A letter was sent on behalf of Mr. Firebaugh from his attorney Mr. Purtzer. Mr. Purtzer is an attorney in the State of Washington and filed a "pro hac vice" to represent his client in Oregon. Ms. Bischoff will check to be sure that the attorney has associated himself with an Oregon attorney. If so, his request will be granted.

F. Signature Authorization

Currently, the Board Chair must sign the Executive Director's time sheets and travel reimbursement reports. It was proposed to allow Kimberly Bennett, Executive Assistant the authority to sign these documents.

The Board agreed to this procedure change and requested that a recap of all timesheets and expense reports be reviewed by the Board on an annual basis.

**BOARD ACTION:** Moved by Mr. Bailey and carried to allow Kimberly Bennett to sign expense reimbursements and timesheets for Pat Hearn.

**VOTE:** 6 ayes

**G. Mark Neuman Request to Defer Hearing- no item**

The Board received a request to defer the hearing and disciplinary matter in regards to Mr. Mark Neuman. Mr. Neuman is involved in the Summit 1031 exchange litigation and has elected to plead not guilty. The Board set a hearing to begin in February. Mr. Neuman would like the Board to defer until after his case has gone to trial and is resolved.

Ms. Bischoff recommended that the Board consider a stay until June 2012, and that Mr. Neuman abstain from practicing accounting until the matter is resolved.

**BOARD ACTION:** Moved by Ms. Newhouse and carried to move forward with the drafting of an interim order.

**VOTE:** 6 ayes

**H. Committee Membership**

Mr. Hearn reviewed upcoming vacancies on Board committees and presented the Board with a list of licensees who have shown interest in serving. Board members were asked to review the list and provide recommendations to staff for possible candidates.

**9. PUBLIC COMMENTS**

None

**10. REPORT OF OAIA**

None

**11. REPORT OF OSCPA**

Ms. McPherson extended the OSCPA's appreciation for having the October 1 meeting with Jim Brackens, of the AICPA, regarding peer review. It was nice to have everyone together to talk over the program and requirements. Gary Hammond, OSCPA Vice-President for Professional Development, was introduced to the Board.

12. **OLD BUSINESS**

The Board expressed concern about the lack of security at the Board's current location in the Morrow Crane building. Mr. Hearn will work with the Department of Administrative Services, Facilities Division, to locate a more secure office space.

13. **CONTINUING PROFESSIONAL EDUCATION**

A. Minutes of September 20, 2011– Information Item

B. Municipal Auditor Applications

1. Approved Applications

- a. Dena Turner
- b. Albert Colombo
- c. Rebecca Lynn Fuller
- d. Jeremy Gingerich
- e. Paul Keeler
- f. Kylie M McCintock
- g. Kaya M Burke
- h. James Knowles Hawley

BOARD ACTION: Moved by Mr. Bailey and carried to accept the municipal auditor applications as presented.

VOTE: 6 ayes

2. Applications for Discussion

- a. Tamara Knyazev – Applicant withdrew application
- b. Ronald Rufener

Mr. Bailey abstained from participation in discussion; his son is employed with the same firm (AKT) as Mr. Rufener.

Mr. Rufener is employed with AKT and was licensed as a municipal auditor for many years. His municipal license was inadvertently not renewed (paid for), but

he continued to report the necessary CPE. He was not aware that his license for municipal audits had lapsed.

Because Mr. Refener continued to get the proper education to maintain the municipal license, the Board agreed that payment of the past due fees would be sufficient for his municipal license to be reinstated.

BOARD ACTION: Moved by Ms. Bridgham and carried to notify Mr. Ronald Rufener that he may pay \$300 in back renewal fees for reinstatement of his municipal license.

VOTE: 5 ayes, 1 abstain (Bailey)

14. **PEER REVIEW OVERSIGHT COMMITTEE**

No Meeting Held

15. **QUALIFICATIONS COMMITTEE**

A. Minutes of September 21, 2011 (Information item)

B. Consent Agenda

1. Recommendations
  - a. Olga Fonteno/Approve
  - b. Brittany M. Anderson/Approve
  - c. Dino Jonathan Rossi/Approve
  - d. Sarah J Templeton/Approve
  - e. Kerri L Gee/Approve

2. Approval of Applications

- a. 39 CPA Certificates/Permits
- b. 0 PA Licenses/Permits
- c. 7 Firm Registrations

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

VOTE: 6 ayes

C. Applications for Discussion

1. Erica N Wayt – Deny

Ms. Wayt was employed by Standard Insurance for 1-1/2 months, Evraz Incorporated for 10 months and Deloitte and Touche for 11 months. Standard did not sign off on any competencies and Deloitte and Touche only signed competency "A".

The write-up provided by Evraz was thought to be inadequate for determining competency of the applicant. The committee was also concerned that the applicant had many brief employment periods, and that 10 months was not enough time to achieve all competencies.

**BOARD ACTION:** Moved by Ms. Ferguson that the Board accept the committee recommendation to deny certification to Ms. Wayt.

**VOTE:** 6 ayes

**16. CPA EXAM**

**[10:00 a.m.] A. Exam Application – Conviction Review**

Mr. Richard Potts sent an application to the Board to sit for the CPA examination. His application included descriptions of past convictions that were given to the Board for review. Mr. Potts attended the Board meeting to answer any questions.

The Board expressed concern over the circumstances of Mr. Potts' convictions and asked counsel to provide guidance on how to proceed. The Board will defer action until the December meeting.

**17. CODE OF PROFESSIONAL CONDUCT**

No meeting held

**NEXT MEETING**      Date:            December 5, 2011  
                                 Location:        Board Office  
                                 Time:            8:30 a.m.

Adjourn at 2:45 p.m.