



Oregon Board of Accountancy

3218 Pringle Rd. SE #110 Salem, OR 97302

www.oregon.gov/boa

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

**BOARD MEETING
PUBLIC SESSION MINUTES
May 12-13, 2016
Morrow Crane Training Center
Salem, Oregon 97302**

Present:

Scott Wright, CPA, Chair
Candace Fronk, Treasurer
Lynn Kingston, CPA
Larry Brown, CPA
Roger Graham, Public Member
Al Crackenberg, PA

Staff:

Martin Pittioni, Executive Director
Susan Bischoff, AAG
Anthony Truong, CPA, Investigator
Theresa Gahagan, CPA, Investigator
Kimberly Fast, Licensing Manager
Julie Nadeau, Licensing Specialist
Angel Legler, Licensing Specialist

Guests:

Sherri McPherson, OSCPA
Amy Dale, OSCPA
Ron Johanesen, CPA, OAIA
Debra Velure
Stuart Morris, PA, OAIA
Dan Dustin, CPA, NASBA Vice President of State Board Relations
Ed Jolicoeur, Regional Chair of NASBA

Excused:

John Lauseng, CPA, Vice Chair

1. CALL TO ORDER/ANNOUNCE RECORDING OF MEETING/REVIEW AGENDA

The Board convened in Public Session at 8:37 a.m. Mr. Wright announced the meeting was being recorded.

2. OPENING REMARKS BY THE BOARD CHAIR

A. Introduction of newly appointed Board members awaiting Senate confirmation

Mr. Wright introduced Debra Velure and Stuart Morris, the Governor's nominees for the Board positions to be vacated by Roger Graham and Al Crackenberg. Ms. Velure is a lawyer in Eugene and is nominated to serve as the Board's public member.

Mr. Morris is a licensed Public Accountant in Oregon and has previously served on the Board. Mr. Morris is active with the OAIA and is nominated for the position for the public accountant member on

the Board. The candidacies of Ms. Velure and Mr. Morris for the Board are scheduled for consideration by the Oregon State Senate later in May.

B. Recognition of Board Service for outgoing Board Members

Chair Wright thanked Mr. Graham and Mr. Crackenberg for their service on the Board for six years, and presented plaques of recognition on behalf of the Board. Mr. Graham served as the public member and Mr. Crackenberg as the public accountant member. Board members expressed their appreciation.

WORK SESSION

WS 1. STRATEGIC PLANNING

Board members were provided a document prepared by the Executive Director, outlining accomplishments of the Board since August 2012 and recommendations for goals in the next 1-3 years.

Mr. Graham pointed out that there are a lot of changes forthcoming with the laws and rules committee and as the Board discusses goals, keep in mind how the profession will be changing with advancements in technology. Mr. Wright added that if Board members recognize trends in the profession to bring them up for discussion. The Board would like to be as proactive as possible and less reactive.

Ms. Fronk was pleased on how the California Board of Accountancy worded their mission statement, commenting that it had a very positive tone.

Board members were asked to brainstorm items to consider adding to the strategic planning document. The Board members discussed mobility issues, National CPE standardization, complaint process improvement and technology improvements at the Board office in terms of online licensing. Mr. Pittioni also added that Oregon is one of the only states that has a "sister Board", Board of Tax Practitioners (Tax Board) that requires anyone who files a tax return to be licensed. It appears likely that at some point, due to demographics issues, the Tax Board will not have enough licensees to sustain itself financially as a separate state agency. It is important for the Board to begin thinking about this in terms of combining the two agencies at some point, and be prepared, proactively, for that possibility.

After extensive discussion, the Board itemized and prioritized the goals of the Board in the next 1 -3 years as follows:

1. Transparency: Education, Communication, Proactive communication to licensees and the public, newsletter development and ethics education
2. Strategic Issues: Explore potential consolidation with Tax Board, Board Composition Changes, and evaluate if the Board should pursue Semi-Independence status.
3. Diversity and Inclusion pertaining to licensees entering the profession and board composition
4. Operational: Online licensing, continue improvements to complaint process efficiency to address case backlog
5. Conformity with National Standards. Reevaluate education and licensing requirements
6. Services to licensees with substance abuse issues.

Mr. Graham stated that he does not believe the Board should consider offering services to licensees with substance abuse issues because the mission of the Board is not to support licensees in that manner. He also believes that the Board is currently addressing diversity issues.

The Board will continue its strategic planning in more detail at its meeting in October.

WS 2. LEGISLATIVE CONCEPTS

A. Update and Next Steps re: Semi-Independence Placeholder Request

Mr. Pittioni reminded Board members of their discussion at the February Board meeting on whether the Board should move forward with establishing a placeholder for requesting semi-independence. Since that time, Mr. Pittioni has met with representatives from DAS and the Governor's office for clarification on the views of current leaders on this subject. While there was no push back from either DAS or the Governor's office, it was made clear that a legislative concept to seek semi-independence would not likely be successful in the 2017 session.

Based on that feedback, Mr. Pittioni was directed by Board leadership to not proceed by the April 15, 2015 deadline with a request for a 2017 placeholder for semi-independence. Pittioni confirmed that the consultant work contracted with Nancy Young on review and recommendations for improving the current internal controls, also includes an option for a second phase of the contract where Ms. Young would provide analysis and recommendations for semi-independence from an internal controls and risk management perspective. Board members agreed that the getting a business case analysis from Pittioni, and a risk management analysis from Ms. Young, would be valuable and should be pursued in preparation for a 2019 session legislative concept.

B. Placeholder Legislative Concept on Cooperation with Law Enforcement/Other Agencies

As a follow-up to the February 2016 Board meeting, Director Pittioni requested a placeholder concept that would allow the Board to fully cooperate with Law Enforcement and other agencies in pending cases without requiring the requestor to obtain a subpoena.

The Board recently received a request from the IRS on one of our licensees, and was required to ask the IRS to obtain a subpoena to receive any of the documents we had on a pending case. Even with the subpoena for documents, current statute still did not allow for exchange of information not in the form of documents, and would have presented a challenge had our investigator in that case been asked to testify before a Grand Jury.

The draft concept permitting cooperation with law enforcement and regulatory agencies was drafted conservatively in a new proposed statutory section, so as to not open up the existing statutes of the Board with this proposal. The proposed draft language protects the agency and will not create any liability issues for the Board should we release information to other regulatory entities.

BOARD ACTION: Moved by Mr. Graham and carried to approve the submission of the concept.

VOTE: 6 ayes, 1 excused (Lauseng)

C. Potential Additional Placeholder regarding Board Composition

The Board currently has written in statute that of the 7 required Board members, 1 must be a licensed Public Accountant. The Governor's office has expressed concern that there is a potential risk of being unable to fill a position for the public accountant due to lack of public accountants licensed in Oregon.

The proposed language draft would increase the public member from one to two members. The language was also modified to remove the specificity of what type of employment, i.e., education, public practice etc., required of Board members. This would allow flexibility when recruiting potential Board members. In essence, any licensee, CPA or PA can apply to serve on the Board without having to be employed in a specific field.

Ms. Fronk pointed out that the current statutes require a board member to practice public accounting and asked if this would prohibit licensees that work in industry. It was noted that the proposed edits would allow any active licensee to apply for a position on the Board regardless if they were "practicing public accounting".

Mr. Morris advised the Board that Ms. Rives, some time ago, proposed language that would allow a CPA to fill the position of the PA on the Board if there were no PAs available to serve. Mr. Pittioni will look into possible past legislative concepts on this issue. Mr. Brown asked if there would be any ramifications if the Board did not move forward on fixing this issue as advised by the Governor's office. Mr. Pittioni replied that it is always wise to be proactive on these issues.

Mr. Wright advised Mr. Pittioni to advise the Governor's office that we will work on developing a concept for submission next session. Mr. Wright would like the Laws and Rules Committee to review language.

WS 4. NASBA UPDATE / WORKING LUNCH

Mr. Dan Dustin, NASBA Vice President of State Board Relations, gave a presentation to Board members that included topics such as NASBA's tools and services, ALD participation, assistance with Newsletter preparation, the upcoming Regional meeting and legislative tracking.

Mr. Ed Jolicoeur, Regional Chair of NASBA also gave a brief presentation on his role with NASBA and encouraged staff and Board members to contact him if they have any specific issues.

WS 5. LAWS AND RULES COMMITTEE RECOMMENDED RULE CHANGES

- A. Report from the LRC Chair** – Committee Chair Lauseng was excused from this meeting
- B. Draft Minutes for Review / April 26, 2016 Meeting** – Not available for meeting
- C. Discussion of Matrix on Inactive and Retired Status Permits – Deferred**
- D. Review and Discussion of Proposed Rule Changes**

Mr. Pittioni explained that the matrix referred in item 3.C. was not available in time for this meeting. A sub-group composed of John Lauseng, Susan Bischoff, Martin Pittioni and Kimberly Fast have met on two occasions to determine draft Board interpretations of the proposed rules, with more specificity on what services inactive and retired licensees can perform within the rule framework for each status. One draft was reviewed by the LRC and amendments were suggested. Those edits and amendments are not yet completed. Mr. Pittioni proposed the matrix be completed by the August meeting for discussion and a final version reviewed and adopted at the October Board meeting as part of the rulemaking process.

The Board was presented with proposed rule amendments for all Divisions. The Laws and Rules Committee has discussed interpreting current differently with respect to the firm registration requirement. The LRC is recommending that sole practitioners should no longer be considered exempt from registering as a firm, and that in essence all firms should be required to register. Since this would affect a large number of licensees, the LRC would request the Board consider a delay for implementation of this rule interpretation change, and not make this requirement effective until January 1, 2018 to allow plenty of time for transition to prepare for the changes. This also allows for alignment with the firm renewal cycle and reduces economic impact. Mr. Jolicoeur observed that in his home state of Washington all firms are required to register, but that for solo practitioners whose practice is so small that it does not have any employees, the firm registration fee is waived. Board members expressed interest in pursuing this approach.

Mr. Brown asked staff how many retired licensees are currently registered with the Board; Mr. Pittioni responded there are around 470. Mr. Brown followed-up questioning how the Board staff will handle the renewals for retired licensees when the matrix is not confirmed, therefore, there are no straightforward answers for the retired licensees to offer any assurances on whether or not they will still qualify for that status. The only resolution to this situation is to complete the matrix and have the Board review and agree to its substance.

The majority of Board members believe the rules are ready for filing on June 15 and that the exposure in the comment process should occur. This would allow the desired comment period from July through the end of September. The Board can consider all the rule amendments together with the comments at the October meeting. (Note: The Board revisited this issue in the May 13, 2016 Public Session – see page 10 of these minutes.)

WS 6. PEER REVIEW

A. Regionalization proposal in AICPA program / prepare for October Work Session

The AICPA has proposed a new structure for peer review administrating entities. Currently there are 41 administrating entities (AEs) who administer approximately 34,000 peer reviews over a 3-year period. The AICPA is proposing that number be decreased to 8-10 in total and the AE would administer at least 1,000 peer reviews per year. The AICPA believes this consolidation will result in greater consistency in program administration.

Ms. McPherson stated that the OSCP has contacted the AICPA and volunteered to be one of the 8-10 AEs. She stated that they have the appropriate infrastructure to handle the volume.

Mr. Pittioni advised that the AICPA has extended an offer to visit with the Board to discuss the pending restructuring of the AICPA peer review program, and that Mr. Wright had indicated this may be an appropriate topic for the 2-day Board meeting in October. In the meantime, the Board's PROC will take the lead in monitoring these developments with the AICPA program.

B. PROC Report and Recommendations on Peer Review Report Guidance

Ms. Fronk reported on the draft recommendations from the PROC on what steps to take when a firm receives a pass with deficiency result or a failed report. The recommendations address the initial non-pass result as well as consecutive failed or pass with deficiency results. The Board reviewed the recommendations and made some minor edits.

The PROC will review initial pass with deficiency reports as well as initial failed peer review reports and inform the firm that if they receive a consecutive pass with deficiency or failed peer review, the Board may refer to compliance. A firm that has received two consecutive failed peer reviews will be subject to an automatic inquiry letter to be reviewed by the compliance team.

C. Draft Minutes PROC meeting May 2, 2016 – information only

Ms. Jessie Bridgham resigned from the peer review oversight committee and Mr. Rob Moody has expressed interest in serving on the PROC at the next meeting.

WS 7. CPE COMMITTEE

A. Review of Minutes of April 24, 2016 – information only

B. Recommendation of the Committee to Board to Dissolve

The CPE committee is recommending to the Board that it dissolve. The CPE committee for the past few years has only reviewed and approved applications for licensees seeking a municipal auditor license. The applications are not complex and can easily be reviewed and approved by Board staff. The CPE committee members have volunteered to assist Board staff with any questions they may have regarding applications. The committee recently updated the application process and instructions providing more clarification to applicants and staff on acceptable courses. The Laws and Rules Committee is now available to review any CPE rule changes, thus also effectively eliminating the need for the CPE committee to do this work.

C. Municipal Roster Applications for Board Approval

1. Resa Kee
2. Amanda Osterberg
3. Karin Wandtke

BOARD ACTION: Moved by Mr. Brown and carried to approve the applicants listed above to be admitted to the municipal auditor roster.

VOTE: 6 ayes.

Mr. Brown mentioned the "by-laws" and whether or not they are still relevant. Ms. Bischoff suggested the documents be reviewed at the next meeting and the Board can decide whether or not to maintain.

Chair Wright adjourned work session and reconvened to Regular Public Session.

REGULAR PUBLIC SESSION:

3. REPORT OF OSCPA

Ms. Amy Dale is the current Vice-Chair and liaison to the Board for the OSCPA. Mr. Harry Bose is the current Chair. The OSCPA reports that they are in full swing with CPE courses and have a wide variety of live courses as well as several thousand options for self-study courses available to licensees. Ms. Dale extended her appreciation to Mr. Wright and Mr. Pittioni for their participation at the OSCPA Circle of Excellence event. Ms. Dale and Ms. McPherson will attend the NASBA Regional Meeting in June.

4. REPORT OF THE OAIA

Mr. Morris reported that the OAIA is kicking off their CPE courses. He stated that there is a full slate of education they are working on and have additional offerings for their members. They are seeing very good participation at their courses. Mr. Ron Johanesen will be the Board liaison at future Board meetings.

5. REPORT OF THE CHAIR

A. Committee Appointments

Mr. Wright reminded members that Mr. Rob Moody would like to serve on the PROC committee, replacing Ms. Jessie Bridgham and that Mr. Crackenberg would like to serve on the BOACC. The Qualifications Committee also has a new member, Yvette Burling who attended as a guest at their April meeting.

BOARD ACTION: Moved by Mr. Brown and carried to approve Rob Moody for PROC committee, Al Crackenberg for the BOACC and Yvette Burling to serve on the Qualifications Committee effective immediately.

VOTE: 6 ayes.

B. Committee Liaison Assignments

With the Board terms for Mr. Crackenberg and Mr. Graham expiring, the committee's they served will need to be reassigned. Since the Board accepted the CPE committee's recommendation to dissolve, the Board only needs to assign a liaison for the Qualifications committee, previously filled by Mr. Graham.

C. OSCPA Circle of Excellence Event

Mr. Wright reported on the Board's participation in this annual OSCPA event.

6. REPORT OF VICE-CHAIR

Vice Chair Lauseng was excused from attending this meeting of the Board.

7. REPORT OF TREASURER

Ms. Fronk reported that the projections for July 2016 include the fee increase figures, with the same basis in terms of number of licenses/registrations which has remained flat for a number of years. With regards to the expenses, there were adjustments made to the salary line item through the legislative process; projections remain the same as those anticipated already the increases that the Legislature now formally provided for with spending limitation authority for all state agencies. Also included in the projections is that Ms. Kitterman has agreed to extend working part-time for another 6 months to the end of 2016. Mr. Pittioni advised the Board members that it may be necessary to hire a temporary employee to help during the renewal season.

8. REPORT OF EXECUTIVE DIRECTOR

Mr. Pittioni expressed his appreciation to the Board and stakeholders for their cooperation in helping pass the ratification of rule-based fee increases last session. Mr. Wright and Mr. Pittioni attended the General Government committee meeting in late February for the fee bill ratification. The bill passed both House and Senate just prior to the end of the session, after being held up for reasons unrelated to the Board of Accountancy.

A. Department of Revenue – Request to Suspend

The Department of Revenue sent notification to the Board office to suspend one of our licensees. This is a mandatory process and there is no Board discretion. A Notice to Suspend was issued to the licensee for failure to pay taxes. The DOR has a detailed lengthy process they must go through before referring the matter to the state Board to suspend. Mr. Brown asked if the Board will be responsible for the costs involved in the suspension hearing. Ms. Bischoff indicated that the DOR typically will share the costs of litigation.

B. DOJ Expenditures Update

The Board requested a breakdown of costs comparing the flat rate fee schedule we are currently under vs. the monthly use billing structure we had previously. Mr. Pittioni provided a handout that showed that at the current actual rate of use of DOJ services we will be ahead by approximately \$20,000. Compared to the previous biennium actual rate of DOJ usage is about 26% less.

G. Limited Scope Consulting Project on Internal Controls

Ms. Nancy Young joined the meeting via conference call at 4:00 p.m. In fall of 2015, Mr. Pittioni initiated a limited scope consulting contract with Nancy Young, CPA and former Secretary of State

Audits employee with specific experience in audits of small state agencies who is now employed with TriMet. Ms. Young was asked to review the Board's internal controls and make recommendations where appropriate for improvement. The report was presented to the Board for its review.

Ms. Young reviewed her recommendations on revenue and expenditure processes, segregation of duties and dual review. Mr. Pittioni and Ms. Fast responded to the report with recommendations for implementation to resolve the concerns found in the report. Staff has already implemented several of the recommendations and will continue to improve processes. Mr. Pittioni expressed his appreciation for the professionalism and collegiality of Ms. Young's work.

Mr. Brown asked Ms. Young if there was anything she would need to discuss with the Board without the presence of staff. Ms. Young replied that there was not – if she had concerns of such a nature she would have approached the Board already and not waited for issuance of her recommendations. Board members thanked Ms. Young for her work.

C. Presentation in OSU Class Rooms

Mr. Pittioni asked Mr. Graham if he would like to report the two OSU related items to the Board. Mr. Graham reported that Mr. Pittioni and Ms. Fast provided a presentation to two classes at Oregon State University. Mr. Graham stated that the presentation was very interesting and insightful on how the Board operates. He especially appreciated the message that the Board does have executive, legislative and judicial roles under one roof and thus is not in the position to act as an advocate. Mr. Graham encouraged other universities to take advantage of these presentations.

D. Research Collaboration with OSU

Mr. Graham reported that he initiated a study together with one of his graduate students related to an article in the Journal of Accountancy on how ethics has changed over the years. In the past, ethics was perceived as "doing the right thing", but has morphed over time into "here are the things you have to do to be ethical". Simply put, there are levels on how people react to ethics and moral reasoning. Individuals in accounting seem to be fall into a category of if there is a rule not to do, they don't do it, however, if there is no rule it is ok. The research study was sent to licensing applicants who achieved experience in accounting, tax and industry to see if there was a difference on how they perceived ethical dilemmas. Mr. Graham will keep the Board apprised of their findings.

F. CLEAR Conference

The Council on Licensure, Enforcement and Regulation (CLEAR) has an upcoming conference that will be held in Portland, Oregon. Mr. Pittioni reported he will send at least two investigators for training, and possibly other staff as well. CLEAR rarely has conferences in Oregon.

E. Licensing and IT Update

Mr. Pittioni reported that he and Ms. Fast have been in contact with an Idaho company BES Technologies regarding their licensing software, eLite. eLite is currently being used by several State of

Oregon licensing agencies and is fully supported by DAS IT. Board staff became aware of this software through client feedback.

Because of the success they have had in Oregon and the support of DAS it eliminates the need for the Board to initiate an RFP, negotiate pricing or build the infrastructure to support the system. Ms. Fast and Mr. Pittioni will continue more in depth discussions with the vendor after the renewal season slows down.

Mr. Wright adjourned the public session for today and asked Board members to reconvene in public session tomorrow, May 13, 2016 at 8:00 a.m.

PUBLIC SESSION – MAY 13, 2016

9. CALL PUBLIC SESSION TO ORDER

Chair Wright called the meeting to order at 8:01 a.m. on Friday, May 13, 2016. He announced the meeting was being recorded.

Mr. Pittioni addressed the Board members with his thoughts on the discussion from the work session regarding the rulemaking timeline. He expressed his concern to file the rule amendments for inactive and retired status licensees without the support of the matrix and FAQs ready. The rule amendments have the potential to significantly change what services inactive and retired licensees are allowed to perform. The staff would like clear direction from the Board on what to tell licensees. Since the matrix is still not finalized, the Board agreed hold off on submitting the rule amendments for comment until after the Board meeting on August 1, 2016. The Board implemented a firm deadline for the LRC to finalize the matrix and FAQs and develop a comprehensive communication plan and timeline for Board review by its August 1, 2016 Board meeting.

10. APPROVAL OF MINUTES

A. February 5, 2016

BOARD ACTION: Moved by Mr. Brown and carried to approve the public minutes of February 5, 2016 as written.

VOTE: 5 ayes, 1 abstention (Fronk) 1 excused (Lauseng)

11. PUBLIC COMMENT

There was no public comment

12. NEW BUSINESS

A. NASBA Nomination for Board of Directors

Board members did not have any nominations for the NASBA Board of Directors.

B. NASBA Regional Meeting June 22 – 24, 2016, Denver, Colorado

The Board agreed to send Mr. Wright, Mr. Morris, Mr. Lauseng and Mr. Pittioni to the NASBA Regional meeting in June 2016. Mr. Morris will receive a scholarship from NASBA for new Board member attendees.

C. NASBA Award Nominations

- 1. William H VanRensselaer Public Service Award**
- 2. NASBA Distinguished Service Award**
- 3. Lorraine P. Sachs Standard of Excellence Award**

Board members did not have any nominations for any of the awards.

D. CPA Exam – NASBA Top Scores Report from Oregon

- 1. Eli Watt Sells Award 2015**

Board members received a copy of the top scorers from Oregon on the CPA Examination. Oregon also had a recipient of the Eli Watt Sells Award, Grzegorz Wiktor. These individuals were recognized at the OSCPA Circle of Excellence Banquet.

E. Limited Scope Consulting Project on Internal Controls

This item was discussed the previous day during regular session.

12. OLD BUSINESS

A. 2015 Renewals for Retired Status

During the 2015 renewal season there was uncertainty on what services retired licensees were allowed to perform. There are a group of licensees that were placed on "hold" pending an outcome from the LRC and Board, however, they have been on "hold" for almost a year. The Board decided to renew their licenses to retired retroactively and directed staff to send a letter explaining the potential changes to what services retired licensees are permitted to perform.

BOARD ACTION: Moved by Mr. Brown and carried to approve the retired licensees from the 2015 renewal cycle retroactively to July 1, 2015 that were deferred pending consideration of license status rule changes.

VOTE: 6 ayes

Board Discussion: Mr. Wright asked staff if there were any retired licensees that were held because they worked at a public accounting firm; staff responded that there were not.

The Board discussed including the option of resignation on the matrix. Mr. Brown would like the Board to reconsider the requirement that licensees who opt to resign their license return their original wall certificate. The majority of Board members were in favor of that amendment to the rules.

The Board asked staff how they plan to handle the retired and inactive renewals in 2016 with the pending rule amendments. Board staff will continue to process normally until the final matrix is approved by the Board.

14. CONSIDERATION OF SETTLEMENT PROPOSALS

A. Lawrence McNamara / Case #15-069

Mr. McNamara held a California CPA license, however, he did not seek licensure in Oregon and held out as a CPA while living and working in Oregon. Mr. McNamara was granted an Oregon CPA license on February 26, 2016. The proposed settlement agreement assesses a \$1,500 civil penalty and 4 hours of ethics.

BOARD ACTION: Moved by Mr. Brown and carried to approve the settlement agreement for Case #15-069, Lawrence McNamara.

VOTE: 6 ayes

B. Jared Zwygart / Millington Zwygart CPAs PC / Case #15-068

The firm, Millington, Zwygart CPAs PC has licensed Oregon municipal auditors employed, however, the firm itself failed to register with the Board before performing a municipal audit in Oregon. The firm was not aware of the registration requirements, however, completed the application processed and were registered in Oregon on December 15, 2015.

The proposed settlement agreement assesses a \$1,000 civil penalty with \$500 suspended and the \$2,000 in costs were also stayed.

BOARD ACTION: Moved by Mr. Brown and carried to accept the proposed settlement agreement for Case #15-068, Jared Zwygart / Millington Zwygart CPAs PC.

VOTE: 6 ayes

C. Patricia R. Kaseberg / Case #14-003

Patricia R. Kaseberg reported on her firm renewal application that the firm performed financial forecasts and projections and some management use only financial statements. Board staff realized that the firm was not enrolled in peer review.

The proposed settlement agreement assesses a \$5,000 civil penalty with \$2,000 stayed. All costs associated with the investigation were also stayed. Ms. Kaseberg is required by the terms of the proposed settlement agreement to take 24 hours of CPE in technical subjects.

BOARD ACTION: Moved by Mr. Brown and carried to approve the proposed settlement agreement for Case #14-003, Patricia R. Kaseberg.

VOTE: 6 ayes.

D. Charles A. Swank / Grove Mueller & Swank PC / Case #09-072CNK

In October 2014, the Board found violations related to the technical and competency standards of the firm stemming from attestation and other accounting work provided to the affiliated entities of Sunwest Management Inc. between 1998 and the beginning of 2009. Some of the deficiencies at issue overlapped with conduct the firm had previously been disciplined for by the Board. Based on the direction from the October 2014 Board, the Board and Respondents entered into a Memorandum of Understanding (MOU) which required post-issuance reviews of six attestation engagements. The purpose of the post-issuance review process was to allow the Board to determine whether the technical and competency issues had been fully addressed by Respondents. Respondents fully cooperated with the post-issuance review process, which was conducted at Respondent's expense. The Board considered the results of the post-issuance reviews from two reviewers at its meeting on December 7, 2015. Based on those reviews the Board concluded the deficiencies that previously existed in connection with Respondent's work for affiliated entities of Sunwest were no longer factors raising public protection concerns.

The proposed Stipulated Order of Censure to reflect the Board's determination from December 2015 was agreed upon by all parties.

BOARD ACTION: Moved by Mr. Brown and carried to approve the Stipulated Order of Censure in Case #09-072CNK, Charles Swank / Grove Mueller & Swank PC.

VOTE: 6 ayes

E. Brent R. Mickelsen / Blodgett Mickelsen & Naef PS / Case #13-034

The firm, Blodgett Mickelsen & Naef PS, Mr. Mickelsen and Mr. Blodgett were found in violation of General Standards (2011 edition) for using outdated audit standards, particularly in risk assessment and internal control skills.

The proposed settlement agreement assesses a \$5,000 civil penalty plus \$2,000 in investigation costs that will be stayed in full if the firm completes all requirements of the settlement agreement. Respondents are required to take 20 hours of CPE by December 31, 2016 that has been pre-approved by the Board. The firm and respondents are required to provide a copy of the settlement agreement to their peer reviewer and post issuance reviewers within 10 days and agree to participate in a Board approved external review program.

BOARD ACTION: Moved by Mr. Brown and carried to approve the proposed settlement agreement for case #13-034, Brent Mickelsen / Blodgett Mickelsen & Naef PS.

VOTE: 6 ayes.

15. QUALIFICATIONS COMMITTEE

A. Minutes of April 27, 2016 – information only

B. Recommendations for Approval

- 1. Pia Matzka**
- 2. Laszlo Tosa**
- 3. Patricia Blunt**
- 4. Lindsay Craft**
- 5. Reed Winner**
- 6. Michael Healey**

BOARD ACTION: Moved by Mr. Graham and carried to approve the above named applicants for licensure.

VOTE: 6 ayes.

Mr. Graham discussed an applicant who was discussed at the QC meeting. Generally, applicants and their supervisor licensee attend the meeting to answer questions from the committee. At the last meeting, an applicant who was assigned to the QC since she obtained her experience in industry, the difference in her case was that her experience was in the tax arena in industry. The supervisor licensee believes that his employee, the applicant, file should be approved through the tax track rather than going through the the QC process. The QC reviewed the write-up and voted to defer the application to allow the applicant to provide further detail on competencies D, E and F and to address each competency in a clear and concise manner.

The Board agreed that industry applicants who gain their experience in tax department outside a public accounting firm should continue to be reviewed by the QC. It was noted that the rules may need amendment to further clarify existing policy regarding this type of situation/employment.

Since the supervisor licensee has sent several emails to both the Executive Director as well as some of the Board members, Mr. Pittioni will follow up with him after the meeting explaining the Boards view that applicants in industry, regardless of the work they perform, must go through the QC process to allow the QC to assess if they meet the seven competencies required in Board rule for initial applicants for licensure.

16. RATIFICATION REQUESTS

A. CPA Certificates/Permits

BOARD ACTION: Moved by Mr. Graham and carried to approve the list provided and attached to these minutes for licensing.

VOTE: 6 ayes.

B. Firm Registrations

BOARD ACTION: Moved by Mr. Graham and carried to approve the list provided and attached to these minutes for firm registration.

VOTE: 6 ayes.

17. COMPLAINTS COMMITTEE

A. Minutes of April 29, 2016 (For information only)

18. EXECUTIVE SESSION UNDER AUTHORITY OF ORS 192.660(2)(f)(h)

Public Session was adjourned at 10:00 a.m. and the Board convened into Executive Session under the authority of ORS 192.660(2)(f)(h).

Public Session Reconvened at 3:31 p.m.

19. MOTIONS ON CASES HEARD IN EXECUTIVE SESSION

A. Case #14-019

BOARD ACTION: Moved by Mr. Brown and carried to administratively close with no finding of violation.

This case pertains to an Oregon licensed CPA that allegedly submitted a financial statement without compilation reports, making her incompliant with peer review requirements. The licensee stated that the entity was never her client and that she did not prepare any financials for them. The financials were faxed to their CPA by the bookkeeper who shared office space with the licensee.

VOTE: 6 ayes.

B. Case #15-037

BOARD ACTION: Moved by Mr. Brown and carried to administratively close with no finding of violation.

This case was opened by Board staff pertaining to a concern that a licensee violated the terms of his Order. The Order required the licensee to obey all laws and rules. During the last renewal cycle, the licensee did not obtain the required 24 hours per year, however the CPE timeline fell outside the terms of the Order.

VOTE: 6 ayes

C. Case #14-059

BOARD ACTION: Moved by Mr. Brown and carried to administratively close with no finding of violation.

This case had no nexus to the practice of public accountancy.

VOTE: 6 ayes.

D. Alan Leschyshyn / Case #16-013

BOARD ACTION: Moved by Mr. Brown and carried to adopt the May 3, 2016 Truong memo to the Board as an investigation report and to find sufficient evidence from federal court records and action by Canadian CPA authorities to make a preliminary finding of a violation of OAR 801-030-0020 (1) Professional Misconduct (multiple violations) and to direct the Executive Director to move forward with the Notice of Intent to Revoke and settlement negotiations.

The respondent pled guilty to several cases of fraud and embezzlement, is scheduled to go to prison in several weeks, and failed to disclose his Canadian revocation to the Board as required on his most recent application for renewal.

VOTE: 6 ayes.

E. Gary Schutz / Case #14-028

BOARD ACTION: Moved by Mr. Brown and carried to deny any late hearing request by Gary Schutz in Case #14-028 for the reason that Mr. Schutz failed to provide good cause or otherwise explain why the request was late; and based on the Board's finding that no good cause for delay exists, direct the Executive Director, to issue a Final Order of Default on the Notice of Intent to Revoke issued on December 4, 2015.

This was the case where a previous Order and Notice was issued and Mr. Schutz missed the deadline to respond. When Mr. Schutz did respond he did not provide good cause for missing the deadline. Mr. Schutz was given a couple of opportunities to provide an explanation for missing the deadline and Mr. Schutz failed to respond.

VOTE: 6 ayes.

F. David Appel / Case #14-068

BOARD ACTION: Moved by Mr. Brown 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 terms certified public accountant, CPA, for practicing public accountancy while his individual license was lapsed and firm registration was expired.

The respondent allowed his license to lapse in 2014 and continued to practice during that time frame, preparing around 70 tax returns and at least one financial statement.

Mr. Wright commented that the CPA professional is one where we work with our clients to understand the rules and we need to understand the rules that apply to us, even though they may be complex, but

that is part of what we do. If we can't understand our own rules, it puts us at risk of understanding how to advise our clients in understanding what may be very complex rules. Mr. Wright stated that he understood CPAs have a lot of rules but our professional helps people deal with rules and he thought that is an important consideration. In addition, this individual's license has lapsed in the past. One time is ok, but four or more times starts to concern him.

VOTE: 6 ayes.

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of a violation of OAR 801-010-0345 (1), requirement to register as a firm, for allowing his firm registration to expire, using CPA in the firm name, and performing at least one compilation while expired.

VOTE: 6 ayes.

G. Divya Matai / AMDM Tax and Business Solutions / Cases #14-026, 14-030, 14-031, 14-032, 14-033, and 14-035

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of a violation of OAR 801-030-0020(1), Professional Misconduct for issuing a 1099-C , Cancellation of Debt to her ex-employee when no documentation could be provided to substantiate an alleged \$8,300 cash loan to the employee.

A person who was an employee of the respondent received a 1099-C, reporting \$8,300 of income, purported to be a cash loan that was not repaid. However, the box checked on the 1099 indicated this was for "unpaid fees." The respondent issued this 1099 to her ex-employee, however, she was not able to provide any documentation of a loan agreement. The ex-employee stated she received no cash nor make a loan with the respondent. The respondent allegedly made three demands for payment by mail, but the ex-employee strongly asserted she never received any demands by mail. The employee was not employed long-term by the respondent. This fact pattern amounts to a misrepresentation to a taxing authority to put the employee in a problem position.

The Board understands the Internal Revenue Service (IRS) is now contacting the ex-employee for taxes relating to this loan forgiveness.

VOTE: 6 ayes.

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of multiple violations of OAR 801-030-0020(1), Professional Misconduct; OAR 801-030-0020(9), Notification of change of address; OAR 801-030-0005(2), Integrity and Objectivity; OAR 801-030-0010(1)(b), Due Professional Care; OAR 801-030-0020(6)(b)(B), Board communications and investigations; OAR 801-030-0010(1)(a), Professional Competence; and OAR 801-030-0020(4), Public Communications and Advertising for the following:

- Making allegations of theft against all the employees who filed complaints with the Board against Ms. Matai.

- Potentially making misleading or false representations to the Board relating to AMDM's firm registration.
- Multiple instances for filing tax returns with the IRS and the Department of Revenue which potentially falsely represented AMDM's employee's PTIN numbers as Ms. Matai's PTIN.
- For providing the Board potentially misleading or false representations relating to the \$395 Ms. Matai was attempting to collect from an ex-employee.
- For not providing two ex-employees with their final paycheck in a timely manner and in accordance to the timeline required by Oregon law.
- Failing to disclose to the Oregon Board of Tax Practitioners the current professional complaints opened by the Oregon Board of Accountancy.
- Willfully not filing the 2013 and 2014 AMARDIV tax returns when they were due as required by the laws of Oregon.
- Multiple instances failing to ask her clients to sign Form 8879 IRS e-file signature authorization after the clients were provided with their completed tax return and prior to electronically filing said tax return.
- Failure to notify the Board of her employment with *NW Neurospine Institute*.
- Allowing one taxpayer to sign Form 8879, return information verification and/or Bank products on behalf of their spouse.
- Providing the Board tax returns that do not match the tax returns filed with the Department of Revenue.
- Undertaking a tax practice without being sufficiently trained or experienced.
- Using a name on her business card which was different than the name used on Ms. Matai's CPA license and was different than the name listed as the owner of Ms. Matai's firm with the Board of Accountancy and the Secretary of State's office.

VOTE: 6 ayes.

H. Michael A. Rompa, CPA and Geffen Mesher PC / Case #12-066

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of violation of 801-030-0010(1), General Standards.

This is a case from 2009 and relates to audits that were done in 2006 and 2007. As a result of events that occurred shortly after the financial statements were prepared for the entity and several other entities in 2007, there investors suffered a significant financial loss. The finding for this violation is based on the fact that it does not appear that the auditors' used adequate professional skepticism.

VOTE: 4 ayes, 1 nay (Graham), 1 abstention (Kingston; Ms. Kingston works for Moss Adams LLP which assumed the work for Sun West after bankruptcy)

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(2), Auditing Standards for inadequate auditing of related party receivables.

VOTE: 4 ayes, 1 nay (Graham), 1 abstention (Kingston)

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(3), Accounting Standards (2009 Edition).

VOTE: 4 ayes, 1 nay (Crackenber) 1 abstention (Kingston)

Mr. Crackenberg believes that the firm should have better assessed the risk and adequately stated the assets.

I. Robert D. Russell and Robert D. Russell CPA PC / Case #13-041

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of violation of ORS 673.160, Registration of Business Organizations (2013 edition) for not having a registered firm from January 2008 to March 2008 while performing audits, compilations and reviews.

Mr. Wright pointed out that although the investigation report indicates there were two reports issued and dated in June, however we are not aware of the date the engagement letters were signed.

VOTE: 6 nays; **MOTION FAILS**

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of violation of ORS 673.132(4), Business Use of terms Certified Public Accountant (2013 Edition) for not having a registered firm from January 2008 to March 2008 and performing attest and compilation services and displaying signage with "CPA".

VOTE: 6 nays; **MOTION FAILS**

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of a violation of OAR 801-030-0020(1), Professional Misconduct for not disclosing the AICPA's disciplinary action on his individual or firm renewals and not disclosing that he performed audits on his January 1, 2010 – December 31, 2011 firm registration renewal.

VOTE: 6 ayes

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of a violation of OAR 801-030-0020(6)(c), Plural Firm names (2013 Edition) for displaying signage for "Russell & Associates PC CPA" while having one CPA at the firm.

VOTE: 6 ayes

J. Keith Wilhelm / Cases #14-058, 15-032 and 15-051

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 and OAR 801-030-

0010(4), Tax Standards for not filing Form 8283 with his clients tax returns and for not representing that the client's 2013 tax return was mailed in March 2014 when the IRS records indicate it was received in May 2004.

VOTE: 6 ayes

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(6) and (7) (2015 Edition), Board Communications and Investigations for failure to timely respond to the Board on three occasions.

Mr. Graham expressed concern that this may relate to failure to respond to investigation issues which were ultimately unfounded.

VOTE: 5 ayes, 1 nay (Graham)

BOARD ACTION: Moved by Mr. Brown and carried to find that there is sufficient evidence to make a preliminary finding of a violation of OAR 801-030-0010(b), Due Professional Care in Case #15-032, for agreeing to prepare an offer in compromise and accepting payment for the service but not providing the service and not resigning from the engagement and for not providing the client with detailed accounting of what the payment applied for.

VOTE: 5 ayes, 1 nay (Graham)

BOARD ACTION: Moved by Mr. Brown and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0015(2)(b), in case #15-032, Record Retention for failure to return a client's original records.

VOTE: 6 ayes

BOARD ACTION: Moved by Mr. Brown and carried to find that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b) in case #15-051, Due Professional Care for agreeing to prepared an income tax return for a client but not completing the engagement or resigning from the engagement.

VOTE: 6 ayes.

BOARD ACTION: Moved by Mr. Brown and carried to find that there is insufficient evidence to make a preliminary finding of violation in case #15-051, Records Request for failure to return a client's original records.

VOTE: 6 ayes.

Mr. Wright adjourned the meeting at 4:53 p.m.