OKLAHOMA ACCOUNTANCY BOARD

MINUTES OF MEETING AND HEARING

January 25, 2002

The Oklahoma Accountancy Board convened in regular session on Friday, January 25, 2002 in Suite 165, 4545 N. Lincoln Boulevard, Oklahoma City, Oklahoma. Notice of the meeting was filed with the Secretary of State and the agenda for the meeting was posted in the reception area of the Board's office in compliance with the Open Meeting Act. A tape recording of the meeting is on file in the Board office. Members present at the meeting:

Archer M. Honea, Chairman
Tom Dugger, Vice Chairman
James A. Nickles, Secretary
Harold L. Russell, Member
Carlos E. Johnson, Member
E.B. St. John, Member

In attendance at the meeting: Edith Steele, Deputy Director; Douglas Price, Assistant Attorney General and legal counsel to the Board; and Donita Graves, Board staff member. Daryl Hill, Executive Director represented the Oklahoma Society of CPAs. Jim Nolen represented the Oklahoma Society of Accountants. Rick Chamberlain, Special Prosecutor, and Dan Nelson, Attorney, were also present for relevant segments of the meeting.

Call To Order: At 8:47 a.m. Chairman Honea called the meeting to order and declared a quorum present. Ms. Timmons was absent. He noted and explained Ms. Timmons', absence which was excused.

Consent Agenda: The Consent Agenda contained 4 items for the Board's consideration: (1) Act on the minutes from the December 14 and December 27 Board meetings; (2) Authorize travel for the Deputy Director, CPE Coordinator and appropriate members to attend NASBA's CPE Conference March 3-5 in Destin, Florida; (3) Authorize the purchase of two chairs to replace ones which have broken at a cost of $788; (4) Authorize the purchase of a portable printer at a cost of $474; (5) Authorize IT training sponsored by the Federal Business Council for Jim Shepherd at a cost of $200; and (6)Take official notice of the files acted on by the Deputy Director since the previous meeting.

Act on minutes from the December 14 and December 27 Board meetings: Chairman Honea addressed the amendments he had for the minutes of the December 14 and December 27 meetings. Chairman Honea, Vice Chairman Dugger and Secretary Nickles each suggested amendments to the minutes of December 14 and December 27 meetings. Mr. Price asked that his time of arrival at the December 27

meeting be reflected in the minutes. Secretary Nickles noted his revisions for the December 27 minutes. Vice Chairman Dugger explained his revisions for the December 14 meeting.

> Russell moved to approve the minutes for the December 14 and December 27 board meetings as corrected; Johnson second. Unanimous affirmative vote.

Secretary Nickles asked if it was permissible for the changes to the minutes to be made before the meeting. Mr. Price replied that it is allowed. Mr. Russell requested that the changes be distributed to the Board.

> Nickles moved to approve the consent agenda items 2 through 4 as presented; Johnson second. Unanimous affirmative vote.

Chairman Honea addressed the CPE conference in Destin, Florida on March 3rd , which Deputy Director Steele and CPE Coordinator Barbara Walker will be attending. He said he would not be attending the conference but that he will go to the meeting the Sunday before the convention. Vice Chairman Dugger indicated that he had not yet decided whether he will be attending.

Act on Request for Board's Participation at the Oklahoma Accounting Educators' Conference February 9 in Oklahoma City: Chairman Honea noted that three of the Board members will be out of state attending the FARB conference at the time of the Educators' Conference. Mr. Johnson and Mr. Russell said they planned to attend. Chairman Honea appointed Mr. Russell to coordinate presentations made on behalf of the Board at the Educators' Conference.

Discuss Policy to Abolish the Permanent Resident Alien Visa Requirement for Examination Eligibility: Chairman Honea addressed the fairness issue of this requirement, stating that according to Douglas Price, Assistant Attorney General, such an additional residency requirement could not be supported. Deputy Director Steele explained that obtaining a visa with the Department of Immigration can be a very long process that can delay a candidate's ability to sit for the CPA examination. Mr. Russell asked Mr. Price to explain the legal rationale for changing this policy. Mr. Price referenced Section 15.8 of the Oklahoma Accountancy Act as well as the examples of candidates from the September 28, 2001 board meeting who appealed their denials, which had been based on their not being residents of Oklahoma. He explained that this requirement creates an impediment too early in the process of applying to sit for the examination. Mr. Russell asked whom this requirement affects. Deputy Director Steele replied that this effects non-U.S. citizens. Mr. Price added that an applicant can be a resident and not a citizen. Mr. Johnson referenced the current policy, which states that an applicant must be a resident immediately prior to making application for examination and that an alien visa was a part of proving residency. Deputy Director Steele stated that under the current policy, applicants who did not have permanent resident alien visas were denied administratively. Mr. Johnson cited an example of a student from the University of Oklahoma who had been forced to go out of state to take the examination because of the residency requirement. Chairman Honea commented that the

permanent alien visa requirement should be eliminated since the Board has a residency requirement. Mr. Price noted that federal laws regarding aliens will likely become stricter since the events of September 11.

> Nickles moved to adopt policy change; Russell second. Unanimous affirmative vote.

Vice Chairman Dugger raised a question about the verbiage in the policy change and proposed changing the last sentence to read: "All applicants must continue to meet all other Oklahoma residency requirements of the act and rules."

> Nickles moved to adopt the policy as amended; Russell second. Unanimous affirmative vote.

RESIDENCE ELIGIBILITY REQUIREMENT POLICY

Current Board policy requires that non-citizens must hold a Permanent Resident Alien Visa as well as meeting all other residence criteria in order to be eligible to apply for examination or the transfer of credit. Non-citizen reciprocal applicants are not required to meet this standard.

Staff recommends that in order to make the residence requirement equal for all applicants, the Permanent Alien Visa requirement be abolished. All applicants must continue to meet all other Oklahoma residency requirements of the act and rules.

Take Note of Request from NASBA for Nominating Committee and Vice Chairman Nominations: Chairman Honea stated that there was only one eligible candidate for the Vice Chair of NASBA and that Mr. Russell had not expressed an interest in pursuing nomination to this position. Chairman Honea noted that he was on the nominating committee for the second year and the bylaws changes made recently would not affect this year's elections. He added that at the nominating committee last year, he suggested that Mr. Russell be considered for completing Barton Baldwin's term as Director-At-Large on the NASBA Board, but Dennis Spackman failed to address this at the NASBA Board Meeting. Secretary Nickles asked what the requirements for Regional Director were. Chairman Honea replied that anyone who is currently on the Board was eligible. Mr. St. John asked why Mr. Russell was the only Board member qualified. Chairman Honea replied that a nominee must have been on the NASBA Board for at least one year. He directed Vice Chairman Dugger to draft a letter of nomination.

> Russell moved to nominate Chairman Honea for the nominating committee; Johnson second. Unanimous affirmative vote.

Hearing in Case No. 1473 – Brady L. Buchan, CPA: This matter came for hearing at 9:40 a.m. The members of the Board present were seated on the hearing panel. Assistant Attorney General Douglas Price represented the Board. Special Prosecutor

Rick Chamberlain represented the State. Mr. Buchan was not present but was represented by counsel, Dan Nelson, Attorney. The purpose of the hearing was to determine whether Respondent violated Section 15.14B(2) of the Oklahoma Accountancy Act by devising a scheme or artifice to defraud his employer in a material way by misappropriating his employer's funds; Section 15.14B(3) of the Oklahoma Accountancy Act by pleading guilty to and being convicted of a felony in the case of *United States of America vs. Brady Lynn Buchan*, Case No. CR-01-79-C, United States District Court, Western District, Oklahoma, where the acts committed would have constituted a felony under the laws of the State of Oklahoma. No witnesses were called by the State or the Respondent.

> Nickles moved to go into Executive Session; Russell second. Affirmative votes: St. John, Russell, Nickles, Dugger, Honea, and Johnson.
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> Johnson moved to come out of Executive Session; Nickles second. Affirmative votes: St. John, Russell, Nickles, Dugger, Honea, and Johnson.

Mr. Price noted for the record that the Board deliberated Case No. 1473 and that during deliberation the Board took no votes or other official action as that term is defined in the Open Meeting Act.

> Dugger moved that based on the evidence presented in the matter of Brady L. Buchan, Case No. 1473, the allegations have been proven by clear and convincing evidence; Nickles second. Affirmative votes: St. John, Russell, Nickles, Dugger, Honea, and Johnson.
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> Dugger moved that based on the findings, respondent's certification be revoked and that before he appears at a Show Cause Hearing, respondent must meet and show proof of meeting all conditions of the Federal Court in its judgment and sentence including completion of the probation period and payment of restitution. Dugger further moved that respondent is to be fined $10,000 each on two counts for a total of $20,000 in addition to full administrative recovery costs; Nickles second, but with the modification that reinstatement can only be considered after a Show Cause Hearing. Dugger accepted modification. Affirmative votes: St. John, Russell, Nickles, Dugger, Honea, and Johnson.
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> Nickles moved to adjourn the hearing; Johnson second. Unanimous affirmative votes.

The proceedings and the individual votes of the members were conducted in open session and were recorded by a court reporting service. The evidence is contained in Docket File No. 1473.

Discuss Policy Regarding Client/Registrant Relationship: Chairman Honea proposed that CPAs who do tax returns for relatives be exempt from holding a permit. Mr. Russell expressed that the Arkansas Board is concerned with this issue as well. Chairman Honea stated that the intent of this policy is to determine if the family relationship is a more prevailing relationship than the public/client relationship. He said that he would try to develop a policy to be presented at the next Board meeting, but added he might consider creating a task force to develop such a policy.

Vote to Certify the Grades from the November 2001 Examination and Ratify the Nominees for the OSCPA Awards: Deputy Director Steele distributed packets to the Board containing the official list from the AICPA, grade reports, statistics, a list of the successful candidates and the award nominees. Mr. Russell asked if the passing rate is keeping with the average and if it included both initial examinees and re-examinees. Deputy Director Steele replied in the affirmative.

Report on the Verification of the Administrative Posting of the Grades to the Board's Records: Chairman Honea reported that he verified the grades and found no errors.

> Johnson moved to recommend the grades as submitted be approved; Dugger second. Unanimous affirmative vote.
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> Russell moved to certify to the appropriate societies those who receive the Gold Medal and Honorable Mentions subject to Board policy; Johnson second. Unanimous affirmative vote.

Mr. Price asked when the posting date was. Deputy Director Steele replied that it will be Monday, February 3. Vice Chairman Dugger asked if successful candidates are notified in advance of awards. Deputy Director Steele replied that such notification is included in their grade packets. Mr. Price reminded the Board that the information included in the materials distributed by the Deputy Director is confidential and should not be disclosed. Mr. Johnson asked why this agenda item is not discussed in Executive Session. Mr. Price replied that such an item is not included in the Executive Session law but that the Oklahoma Accountancy Act makes the grades confidential. Mr. Johnson asked if the grades themselves could be considered public record according to the Open Records Act since these are discussed in an open meeting. Mr. Price said that the grades are not public record.

Report on Board's Requirements to Comply with Title II of the Americans with Disabilities Act (ADA) and Authorize Purchase of Necessary Equipment: Chairman Honea commented that Deputy Director Steele attended a two-day meeting concerning the ADA. Mr. Johnson asked for the Deputy Director's recommendation. Deputy Director Steele proposed the purchase of a TTY (Text Telephone) phone

system to enable hearing impaired individuals to talk to the Board. Mr. Russell asked what accommodations would need to be made if a hearing impaired individual were to come before the Board. Deputy Director Steele replied that she was given a resources book at the meeting and that there is a Federal Agency in Dallas to help with providing accommodations. She added that a personnel policy regarding employment practices will need to be drafted. Mr. Russell asked if the Office of Handicapped Concerns would be conducting an audit of the agency's facility. Deputy Director Steele replied in the affirmative.

> Dugger moved to authorize purchase of necessary equipment; Johnson second. Unanimous affirmative vote.

Discussion about and voting on key issues on proposed legislation: Chairman Honea opened by saying that the OSA had proposed amendments to the Oklahoma Accountancy Act but had chosen not to submit these to the Board. He commended the OSCPA for keeping the Board informed of each draft regarding proposed legislation and appealed to the OSA to do the same. He gave a status report on the Board's Agency Request Bill and its two concepts: (1) increasing examination fees due to the computer based examination; and (2) changing the language addressing CPE to be identical with the language in the Oklahoma Society of Certified Public Accountants' (OSCPA)'s draft of proposed legislation. In addressing the issue of increasing examination fees, he said that he had been advised that the language "fee to be set by the Board" would probably be rejected due to there not being a cap on the fees but that the legislature would probably provide a way to allow the Board to pass on its cost, including administrative fees. He reported that the Board's bill has a sponsor from the House and has been assigned the number of HB 2275. He added that the bill had gone before the House Judiciary Committee and that Board's rules committee members had developed more clarifying language, which had been distributed to the Board. Chairman Honea recommended the Board approve the Agency Request Bill language for final submission to the legislative committee.

Deputy Director Steele referenced Section 15.15 C & 15.15.A – E (Firm Permits) and asked if the word "their" needs to be changed to "its" in two places as it relates to permit expiration. Secretary Nickles agreed with the language change.

Secretary Nickles questioned the inclusion of the word, "unadministered" in Section 15.6A (Confidentiality of Investigations – Use as evidence). He added that anything regarding the examination is confidential. Deputy Director Steele replied that the word's inclusion is due to the examination being non-disclosed and the answers to all examination questions are confidential. Mr. Johnson and Mr. Price noted that this term is used in the current statute. Secretary Nickles suggested the word "unadministered" be deleted or, if not deleted, hyphenated. Mr. Johnson commented that the word, "unadministered" was included for a reason.

Nickles moved to delete the word, “unadministered” from Section 15.6A, but retain the word “examinations”; Russell second. Unanimous affirmative vote.

Nickles moved to adopt the Agency Request Bill as amended; Dugger second. Unanimous affirmative vote.

Chairman Honea invited Daryl Hill, Executive Director of the Oklahoma Society of Certified Public Accountants (OSCPA), to address changes in the OSCPA’s draft of proposed legislation. Mr. Hill explained the provisions for substantial equivalency with one-year experience and related changes in enforcement procedures, hearings, and investigations as related to those who are substantially equivalent and those who are certificate holders.

Chairman Honea asked Mr. Hill why the term “quality review” had been changed to “peer review.” Mr. Hill replied that it was an oversight and that it needs to be changed to peer review. Secretary Nickles questioned the different provisions for registrants and those who are substantially equivalent as related to hearings. Chairman Honea commented that those who are substantially equivalent are not considered to be registrants.

Mr. Russell asked whether the Board should review the changes in the OSCPA’s draft page by page. Chairman Honea recommended that the Board address concepts. Mr. Russell stated that any votes made on concepts would become the Board’s position in the event the Board were called upon by the legislature to testify. Mr. Russell addressed the first concept as being the OSCPA’s definition of attest. He suggested that the OSCPA’s proposed changes in the Accountancy laws not be limited to the AICPA’s standards and that the definitions of these standards be generic. He cited examples of the Generally Accepted Accounting Principles (GAAP) and the Generally Accepted Accounting Standards (GAAS) as being very specific and that according to the OSCPA’s drafted legislative changes, the definition of attest is limited to the AICPA’s standards. Secretary Nickles commented that the word “attest” has also been deleted. Mr. Price stated that the way in which the Society’s propsed draft of the Oklahoma Accountancy Act is written, this would not create a legal impediment to the Board, even though it is specific to one, there may be others. Mr. Russell cited as an example that GAAP is in the rule, but not in the Act.

Russell moved to adopt positions on concepts and that the Board not adopt by reference any specific definition.

Chairman Honea outlined the three concepts for discussion. Concept 1 addressed the language referencing any outside bodies and official pronouncements. Concept 2 involved the decision of whether to support or oppose a 1-year experience requirement. Concept 3 addressed the issue of substantial equivalency as it pertains to allowing registrants from other states to practice in Oklahoma with only notification without obtaining a reciprocal certificate. Chairman Honea asked the other Board members if there were other concepts that needed to be discussed.

Secretary Nickles asked if the concept of mandatory peer review should also be addressed. Chairman Honea replied that mandatory peer review had been withdrawn, as well as the concept of 49% firm ownership and the concept of making Oklahoma a one-tier state.

Mr. Russell asked why NASBA and not the AICPA is defined in the OSCPA's draft. Chairman Honea asked if it would be appropriate to make these changes to the Oklahoma Accountancy Law regarding outside bodies and official pronouncements. Mr. Russell recommended that the Board not incorporate by reference specific publications of outside organizations in the Oklahoma Accountancy Act. Mr. Hill suggested deleting the reference to the AICPA as it relates to the definition of attest. In response to Mr. Hill's proposal, Mr. Johnson suggested deleting the reference of recognized national accountancy organizations as well. Mr. Russell recommended that a generic definition for attest be used in the act and to use more specific definitions in the rulemaking process.

Mr. Russell commented that when drafting revisions to the law some years ago, the Board's legal counsel made sure that the definitions used did not limit themselves to standards established by the AICPA. He stated that the definitions provided in the rules followed the general standards, citing the example of Generally Accepted Auditing Principles which were used to measure the quality of the performance of auditing procedures and the objectives to be obtained. He referenced 10:15-1-2 (the definition of Generally Accepted Auditing Standards) by noting that statements of auditing standards issued by the AICPA, the government, the GAO, and other pronouncements having similar generally recognized standards are recognized to be Generally Accepted Auditing Standards.

Mr. Russell commented that the OSCPA's draft is very specific. He suggested that as a concept, the Board adhere to its own procedure by limiting definitions to generic definitions. Chairman Honea stated that he had done a key word search on the Act for the names of outside bodies and official pronouncements and that he found that the only entity mentioned was the AICPA and it was in regard to obtaining the examination and using the AICPA's grading services.

Mr. Russell commented that the OSCPA's definition of attest tied everything to the AICPA's publications. Chairman Honea asked if Mr. Russell were referring to statements on auditing standards, statements on accounting and review services and statements on standards of accounting. Mr. Russell replied that there can be standards and accounting standards.

Mr. Johnson addressed the definition of attest and its meanings. He proposed that in #3, there be a period after the phrase "pursuant to rulemaking" in the OSCPA's draft regarding Section 15.1A (Definitions). Mr. Russell concurred but also mentioned that the reason the word "attest" is included is so the word "attest" could be used rather than audit. Mr. Johnson stated that compilation services are outside of the attest function.

Secretary Nickles and Mr. St. John left the meeting.

Mr. Russell proposed that the general definition of attest mean any audit or engagement that is performed in accordance with Generally Accepted Auditing Standards and any review in accordance with generally accepted statements of accounting review and any exam prospective be performed in accordance with generally accepted standards of audit attestation.

Secretary Nickles and Mr. St. John returned to the meeting.

Mr. Hill suggested adding the words, "recognized state and national organizations." Mr. Johnson cautioned that attest is referred to in professional literature as defined in SAS. He referenced the OSCPA's proposed paragraph D of Section 15.9, Issuance of certificates and licenses. Mr. Russell commented that the definitions should not be so generic that they might incorporate everything.

Mr. Johnson stated that auditing standards are called statements of auditing standards (SAS). Chairman Honea clarified that that is the case only if one is a member of the AICPA. Mr. Russell concurred and added that generally accepted auditing standards are typically statements of auditing standards. He cited the example that if enough auditing textbooks agreed upon an auditing standard, it could become a generally accepted auditing standard. He stated that the Institute's standards are the standards generally accepted. Mr. Johnson replied that the latest SAS definition is the generally accepted auditing standard.

Concept #1: Should the language refer to any outside bodies?

> Russell moved to recommend as a concept that the Board not incorporate in the Act specific references to specific organizations.

Chairman Honea asked if the motion includes specific reference to pronouncements of the specific organizations. Mr. Russell agreed to include special pronouncements from the AICPA, NASBA, the Institute, the GAO, and the SEC.

> Chairman Honea re-stated the motion to approve the concept that language changing the Accountancy law not make reference to any organizations or entities including reference to specific pronouncements.
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> Nickles second. Affirmative votes: Johnson, Honea, Dugger, Nickles, Russell, and St. John. Unanimous affirmative votes.

<u>One-year experience requirement:</u> Mr. Russell addressed the definition of substantial equivalency in the OSCPA's draft and that NASBA has made obtaining substantial equivalency a monumental task. He cited Arkansas as an example. Vice Chairman Dugger commented that the Board would have to draft a policy to determine who would be a designee and how the Board would use these designees. Mr. Russell posed the

question of whether or not a CPA who is substantially equivalent would be required to hold a permit whether he/she practices or not. He cited the example of the Arkansas State Board requiring any practitioner doing work in Arkansas to apply either under active or inactive status. Chairman Honea asked if there was a provision in the OSCPA's draft requiring those who are substantially equivalent to hold a permit even if these individuals are not required to hold a permit in their state of origination. Mr. Johnson proposed that such a provision could be presented as a rule whereby those practitioners who are substantially equivalent must comply with the Oklahoma Board's Accountancy Act and Rules and assess these practitioners a fee. Vice Chairman Dugger stated that the language of the OSCPA's draft would allow the Board to draft future rules addressing this in addition to addressing processing time and the related expense involved. Mr. Johnson commented that four states currrently require no notification for practitioners to enter these states while other states have assessed a fee.

Chairman Honea revisited the issue of a practitioner holding a certificate, but not a permit in his/her two-tiered state of origination. He raised the question of whether such a practitioner would be required to hold a permit in Oklahoma. Mr. Johnson stated that the whole concept of substantial equivalency is that the practitioner must be in good standing and be able to practice public accounting in his/her state of origination before coming into Oklahoma on the basis of notification. Mr. Russell recommended that the Board and not another organization make this determination.

Chairman Honea opened the discussion on the one-year experience requirement by stating that he was not satisfied that a one-year experience requirement would make Oklahoma substantially equivalent with at least 35% of the states. He explained the methodology of how such information was obtained from the state Boards. He expressed concern that there are 20 states with whom Oklahoma would not be substantially equivalent by the individual state board standards, even though by NASBA's standards, Oklahoma would be substantially equivalent. He cited the example of Georgia.

Mr. Johnson commented that the 6 continguous states are substantially equivalent with the exception of Colorado. He suggested that the Board develop rules to determine whether or not practitioners from states that do not recognize Oklahoma as being substantially equivalent could be accepted by Oklahoma on the basis of substantial equivalency. He added that being substantially equivalent to 34 jurisdictions would put Oklahoma in a better position than it is currently. Chairman Honea raised the question of whether the Board should vote on this conceptually, knowing its limitations. He also proposed a two-year experience requirement as a way of being substantially equivalent with more states. Mr. Johnson asked if the concept voted on should include a one- or two- year experience requirement.

Chairman Honea posed the question of whether the accounting experience can be in both the public and the private sectors. Secretary Nickles added for consideration whether the experience obtained could be from full-time or part-time employment and questioned the need for such an experience requirement.

Chairman Honea asked Mr. Price whether Oklahoma had a one-year experience requirement it could by rule refuse to allow registrants of states which have an experience requirement of more than one year to come in on the basis of quid pro quo. Mr. Price replied that it was difficult to comment on a potential rule based on a concept. Mr. Russell asked how quid pro quo could be allowed in the Oklahoma Accountancy Act. Mr. Price replied that if the Act said substantial equivalency, it could be determined by rule unless the Act defined and set the parameters of substantial equivalency. Mr. Price added that the OSCPA's definition of substantial equivalency gives the Board sufficient latitude but expressed a concern with the language relating to the designee.

Secretary Nickles stated that it was not the Board's position to vote on the OSCPA's legislation since the Board has its own agency request bill for proposed legislation. Mr. Johnson replied that questions will be raised in legislative committee about the Board's position on the OSCPA's bill. Mr. Russell asked how representatives could testify before the legislature if the Board has not adopted an official position. Mr. Johnson mentioned that the Board's position is usually asked for when the legislature is determining rules changes. Mr. St. John stated that the Board should vote on concepts.

Secretary Nickles raised the issue of certificate/license holders verifying the one-year experience requirement. He cited the example of a CPA who is employed with an unregistered firm but is getting experience preparing tax returns. Mr. Johnson clarified that the person does not have to work for a CPA, but that a CPA must verify the accounting experience. Secretary Nickles posed the question of what kind of experience can be obtained from academia and cited the example of a person passing the CPA examination, then earning his/her PhD, but not being able to get a certificate. He asked how the public would be protected if such individuals do not have any public accounting experience. Chairman Honea stated that he was not aware of an enforcement case where having an experience requirement would have made a difference and added that the one-year experience is not for the purpose of protecting the public other than making Oklahoma substantially equivalent. Secretary Nickles cited the case heard during this Board meeting as a prime example otherwise.

Chairman Honea invited Jim Nolen, representative of the Oklahoma Society of Accountants (OSA) to comment on these proposed changes. Mr. Nolen replied that requiring public accounting experience to be verified by a CPA or PA would create a substantial hurdle in allowing candidates who pass the examination to become CPAs. He addressed the inability to produce tax records to a CPA or PA without obtaining releases from clients as required by the IRS on the basis of confidentiality. Secretary Nickles agreed that too many people would not be able to become certified if this one-year experience requirement were to pass.

Chairman Honea proposed that the one-year experience requirement be voted on in three parts. The first part is whether to approve or disapprove the concept of requiring one-year experience to obtain a certificate in order to achieve substantial equivalency status. The second part is whether the one-year experience requirement needs to be in public accounting. The third part is whether the one-year experience must be verified by a certificate/license holder.

Johnson moved that the Board approve the concept of requiring one-year's experience to meet the minimum qualifications for the awarding of a certificate or license; Dugger second. Affirmative votes: Johnson, Honea, Dugger, Russell and St. John. Negative vote: Nickles. Motion passed.

Nickles moved that the one-year experience be in public accounting; Russell second. Affirmative votes: Honea, Nickles. Negative votes: Johnson, Dugger, Russell, and St. John. Motion failed.

Nickles moved that the Board not accept the concept of the one-year experience being verified by only a certificate holder or licensee and that it be expanded to include the word, "employer"; Dugger second.

Johnson asked for an amendment to the motion to take the wording, "all of which meeting the requirements prescribed by the Board by rule."

Nickles accepted the amendment of the motion within the concept of requiring one-year experience, that the experience be allowed to be verified by a certificate- or license-holder or an employer meeting the requirements as prescribed by the Board by rule.

Affirmative votes: Johnson, Dugger, Nickles, Russell, and St. John; Negative votes: Honea. Motion passed.

Substantial Equivalency: Chairman Honea entertained a motion regarding whether or not to approve the concept of substantial equivalency, meaning allowing other state registrants under appropriate circumstances to come into Oklahoma without obtaining a certificate to practice public accounting. Secretary Nickles expressed concern that the language of the OSCPA's draft would not require those who are substantially equivalent to obtain a permit to practice in Oklahoma. Vice Chairman Dugger stated that the Board could require those who are substantially equivalent to meet the requirements as the Board interprets them by rule, which would put these CPAs in the same position as permit holders and the Board could decide to assess a processing fee equal to a permit fee. Mr. Price concurred. Secretary Nickles raised the issue of whether it would be constitutional for the Board to require its registrants to hold a permit and not those practitioners who are substantially equivalent. Mr. Johnson stated that the Board can require substantially equivalent practitioners to comply with the permit requirement in its definition of notification outlined in its rules.

> Johnson moved that the Board adopt the concept of substantial equivalency as defined by Section 15.14 B, of Draft V, of the OSCPA's proposed legislation; St. John second. Affirmative votes: Johnson, Honea, Dugger, Nickles, Russell, and St. John. Unanimous affirmative vote.

(as taken from Draft V of the OSCPA's proposed changes to the Oklahoma Accountancy Act)

38. "Substantial equivalency" is a determination by the board of accountancy or its designee that the education, examination and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed the education, examination, and experience requirements contained in this Act or that an individual CPA's education, examination and experience qualifications are comparable to or exceed the education, examination and experience requirements contained in this Act."

Discussion of January 9 NASBA Meeting on the Ratification of the AICPA/NASBA/Prometric Examination Contract: Chairman Honea reported that he, Vice Chairman Dugger, and Ms. Timmons attended the meeting. Ms. Timmons presented the Board's concerns about the contract at the meeting. Chairman Honea stated that 50 jurisdictions were present for the advisory vote. Of the 50 jurisdictions present, 7 voted against the ratification of the examination contract, including Oklahoma. He added that Nebraska, California, and New York were among the other states that voted against ratification. Vice Chairman Dugger noted that the written responses promised by NASBA in addressing Oklahoma's concerns were inadequate and that Ms. Timmons' comments at the meeting were ignored by NASBA. Chairman Honea commented that although some states shared the same concerns, most states still felt compelled to ratify the examination contract. Mr. St. John asked what recourse the 7 states who voted against the examination contract have. Chairman Honea replied that these states can enter into a contract with NASBA. Vice Chairman Dugger added that theoretically these states could create their own examination. Chairman Honea mentioned that he tried contacting the other 6 states to see if they are going to negotiate their own contract with the examination providers.

Discuss Board Members' Responsbilities Regarding Executive Sessions: Chairman Honea wanted Mr. Price to present in written form the Board members' responsibilities relating to the confidential nature of executive sessions and that issues discussed during executive sessions cannot be discussed with outside parties outside of the executive session. Since Mr. Price had to leave the meeting, Chairman Honea said that Mr. Price will present language addressing this item at a later meeting.

Emergency New Business: Chairman Honea observed the passing of David Hunter, public member of the Nebraska Board.

Next Meeting Date Announced: The next Board Meeting is scheduled for 8:30 a.m., March 1 on the campus of Oklahoma State University in Stillwater.

Certificate Cancelled by Registrant's Request: Eugene A. O'Rourke, Certificate No. 13609-R, issued November 22, 1996

Deceased Registrants: Joe Enlow, Certificate No. 2838, issued January 26, 1973; Donald Lee Honea, Certificate No. 3636, issued January 27, 1976; Charles Edison Hughes, Certificate No. 951, issued January 21, 1954; Patrick W. Hughes, Certificate No. 2282, issued January 29, 1970

Applications and Registrations Approved: The Board took official notice of the following applications and registrations, which have been approved by the Deputy Director:

Applications for Reciprocal CPA Certificates:

15350-R	Bret Joseph Eckert
15351-R	Douglas N. Hughston
15352-R	Jeni Denton Oehler
15353-R	Jonathan J. Robinson
15354-R	Steve G. Scott
15355-R	Norman Blake Vickers
15356-R	Robert J. Welsh
15357-R	Kirk Wayne Wiesner

Applications for Reinstatement of CPA Certificates:

13307	Arthur Pelina Go
13533	Shannon L. Meeks

Initial Registration of a CPA Partnership:

Murray, Gunkel, & Wagner

Initial Registration of a CPA Limited Liability Partnership:

Gaskill, Pharis & Pharis, L.L.P.

Initial Registrations of CPA Professional Corporations:

Burgess Accounting, P.C.
Brenner & Company, P.C.
Brown, Graham & Co.
Charles E. Underwood CPA, Inc. P.C.
Collier, Fox & Associates, P.C.
Curtis D Karber & Associates, CPA, PC.
Draper Business Services, Inc., P.C.
Hull & Totten, P.C.
Kent L. McMahan, Certified Public Accountant, P.C.
Kris Kirk, CPA, Professional Corporation
Lewis P. Colbert & Associates, PC

Lynn Nichols & Company, P.C.
Rick D. Simpson Financial Services, Inc.
T.L. Walker Inc., P.C.

Initial Registration of a CPA Professional Limited Liability Company:

Leming, Schallner & Co., P.L.L.C.

Adjournment: There being no further business to come before the Board, at 1:57 p.m. Chairman Honea called for a motion to adjourn.

Russell moved to adjourn the meeting; Nickles second. Unanimous affirmative vote.

_____
Archer M. Honea, Chairman

ATTEST:

_____
James A. Nickles, Secretary

4099.

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Discussion about and voting on key issues on proposed legislation:

Mr. Russell asked whether the Board should review the changes in the OSCPA's draft page by page. Chairman Honea recommended that the Board address concepts. Mr. Russell stated that any motions made on concepts would become the Board's position. Mr. Russell addressed the first concept as being the OSCPA's definition of attest. He suggested that the OSCPA's proposed changes in the Accountancy laws not be limited to the AICPA's standards and that the definitions of these standards be generic. He cited examples of the Generally Accepted Accounting Principles (GAAP) and the Generally Accepted Accounting Standards (GAAS) as being very specific and that according to the OSCPA's drafted legislative changes the definition of attest is limited to the AICPA's standards. Secretary Nickles that the word, "attest" has also been deleted. Mr. Price stated that the way in which the Society's propsed draft of the Oklahoma Accountancy Act is written, this would not create a legal impediment to the Board, even though it is being specific to one, there may be others. Mr. Russell cited as an example that GAAP is in the rule, but not in the act.

> Russell moved to adopt position on concept and that the Board not adopt by reference any specific definition.

Chairman Honea outlined the three concepts for discussion. Concept 1 addressed the language referencing to any outside bodies and official pronouncements. Concept 2 involved the decision of whether to support or oppose a 1-year experience requirement. Concept 3 addressed the issue of substantial equivalency as it pertains to allowing registrants from other states to practice in Oklahoma with only notification and not obtain a reciprocal certificate. Chairman Honea asked the other Board members if there were other concepts.

Secretary Nickles asked if the concept of mandatory peer review should also be addressed. Chairman Honea replied that mandatory peer review had been withdrawn, as well as the concept of 49% firm ownership and the concept of making Oklahoma a 1-tier state.

Mr. Russell asked why NASBA and not the AICPA is defined in the OSCPA's draft. Chairman Honea asked if it would be appropriate to make these changes to the Oklahoma Accountancy Law regarding outside bodies and official pronouncements. Mr. Russell recommended that the Board not incorporate by reference specific publications of outside organizations in the Oklahoma Accountancy Act. Mr. Hill suggested deleting the reference to the AICPA as it relates to the definition of attest. In response to Mr. Hill's proposal, Mr. Johnson suggested deleting the reference of recognized national accountancy organizations as well. Mr. Russell recommended that a generic definition for attest be used in the act and use more specific definitions in the rulemaking process.

Mr. Russell commented that when drafting revisions to the law some years ago, the Board's legal counsel made sure that the definitions used did not limit itself to standards established by the AICPA. He stated that the definitions provided in the rules followed the general standards, citing the example of Generally Accepted Auditing Principles which were used to measure the quality of the performance of auditing procedures and the objectives to be obtained. He referenced 10:15-1-2 (the definition of Generally accepted auditing standards) by noting that statements of auditing standards issued by

the AICPA, the government, the GAO, and other pronouncements having similar generally recognized standards are recognized to be Generally Accepted Auditing Standards.

Mr. Russell commented that the OSCPA's draft is very specific. He suggested that as a concept, the Board adhere to its own procedure by limiting definitions to generic definitions. Chairman Honea stated that he had done a key word search on the Act for the names of outside bodies and official pronouncements and that he found that the only entity mentioned was the AICPA and it was in regard to the obtaining the examination and using the AICPA's grading services.

Mr. Russell commented that the OSCPA's definition of attest tied everything to the AICPA's publications. Chairman Honea asked if Mr. Russell were referring to statements on auditing standards, statements on accounting and review services and statements on standards of accounting. Mr. Russell replied that there can be standards and accounting standards.

Mr. Johnson addressed the definition of attest and its meanings. He proposed that in #3, there be a period after the phrase "pursuant to rulemaking" in the OSCPA's draft regarding Section 15.1A (Definitions). Mr. Russell concurred, but also mentioned that the reason the word "attest" is included is so the word "attest" could be used rather than audit. Mr. Johnson stated that compilation services are outside of the attest function. Mr. Russell proposed that the general definition of attest mean any audit or engagement that is performed in accordance in generally accepted auditing standards and any review in accordance with generally accepted statements of accounting review and any exam prospective be performed in accordance with generally accepted standards of audit attestation.

Mr. Hill suggested adding the words, "recognized state and national organizations". Mr. Johnson cautioned that attest is referred to in professional literature as defined in SAS. He referenced the OSCPA's proposed paragraph D of Section 15.9 Issuance of certificates and licenses. Mr. Russell commented that the definitions should not be so generic that it might incorporate everything.

Mr. Johnson stated that auditing standards are called statements of auditing standards (SAS). Chairman Honea clarified that is the case only if a member of the AICPA. Mr. Russell concurred and added that generally accepted auditing standards are typically statements of auditing standards. He cited the example that if enough auditing textbooks agreed upon an auditing standard, it could become a generally accepted auditing standard. He stated that the Institute's standards are the standards. Mr. Johnson replied that the latest SAS definition is the generally accepted auditing standard.

Concept #1:

Should the language refer to any outside bodies?

> Russell moved to recommend as a concept that the Board not incorporate in the Act as a concept specific references to specific organizations.

Chairman Honea asked if the motion includes specific reference to pronouncements of the specific organizations. Mr. Russell agreed to include special pronouncements from the AICPA, NASBA, the Institute, GAO, and SEC.

> Chairman Honea restated the motion to approve the concept that language changing the Accountancy law not make reference to any organizations or entities including reference to specific pronouncements.
>
> Nickles second. Affirmative votes: Johnson, Honea, Dugger, Nickles, Russell, and St. John. Unanimous affirmative votes.

Concept #2:

To approve or disapprove the concept of requiring 1-year experience to get a certificate in order to obtain substantial equivalency status. This will be in 3 parts.

> Johnson moved that the Board approve the concept of requiring 1-year's experience to meet the minimum qualifications for the awarding of a certificate or license; Dugger second. Affirmative votes: Johnson, Honea, Dugger, Russell and St. John. Negative vote: Nickles. Motion passed.

Does the 1-year experience need to be in public accounting?

Nickles moved that the 1-year experience be in public accounting; Russell second. Affirmative votes: Honea, Nickles. Negative votes: Johnson, Dugger, Russell, and St. John. Motion failed.

Nickles moved that the Board not accept the concept of the 1-year experience being verified by only a certificate holder or licensee and that it be expanded to include the word, “employer”; Dugger second.

Johnson asked for an amendment to the motion to take the wording,”all of which meeting the requirements prescribed by the Board by rule.”

Nickles accepted the amendment of motion within the concept of requiring 1-year experience, that the experience be allowed to be verified by a certificate or license holder or an employer meeting the requirements as prescribed by the Board by rule.

Affirmative votes: Johnson, Dugger, Nickles, Russell, and St. John; Negative vote: Honea. Motion passed.

Concept #3:

Do we approve the concept of substantial equivalency, meaning allowing other state registrants under appropriate circumstances to come into Oklahoma without obtaining a certificate to practice public accounting?

Johnson moved that the Board adopt the concept of substantial equivalency as defined by Section 15.14 B, of Draft 5, of the OSCPA's proposed legislation; St. John second. Affirmative votes: Johnson, Honea, Dugger, Nickles, Russell, and St. John. Unanimous affirmative votes.