OKLAHOMA ACCOUNTANCY BOARD

MINUTES OF MEETING

March 19, 2004

The Oklahoma Accountancy Board convened in regular session on Friday, March 19, 2004 in the Board Room at the Spirit Bank in Bristow, 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 and outside the Board Room of the Spirit Bank 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:

Carlos E. Johnson, CPA, Chairman
J.H. Jay Engelbach, CPA, Vice Chairman
E.B. St. John, PA, Secretary
Tom Volturo, Representing the Public
Tom Dugger, CPA, Member
Janice L. Gray, CPA, Member

In attendance at the meeting: Edith Steele, Executive Director; Kelly Brown, Deputy Director; Donita Graves, Jim Shepherd, and Paulina Coffman, Board staff members; and David Kinney, Assistant Attorney General and Special Prosecutor for the Board. Patty Hurley and Tawni Corwin represented the Oklahoma Society of CPAs; Peggy Johnson represented the Oklahoma Society of Accountants. Paul Cornell, CPA and President of Spirit Bank, and Carolyn Ashford from the Bristow News were also present for relevant segments of the meeting.

Call To Order: At 9:01 a.m. Chairman Johnson called the meeting to order and declared a quorum present. He noted the absence of Member Nickles as unavoidable. At his request, Executive Director Steele read the names of the visitors present. Chairman Johnson gave a brief background on the Kelly family, majority shareholders of the Spirit Bank in Bristow.

Public Comment Period: Chairman Johnson recognized Peggy Johnson, representing the Oklahoma Society of Accountants (OSA). She commented on the letter sent to House Representative Dale Turner by Chairman Johnson of the Oklahoma Accountancy Board regarding the verification of accounting experience required by the Board for those applying for a CPA certificate. She stated that the OSA had questions about this process with regard to an applicant for a CPA certificate obtaining experience verification from a registrant of the Board when the applicant was not employed by a registrant of the Board.

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At the request of the Board members present, she distributed copies of the letter sent to House Representative Turner by Chairman Johnson. In her comments, Ms. Johnson gave examples referenced in the letter about how a candidate successfully passing the CPA examination can have his/her experience verified by a registrant of the Board via quarterly meetings with a registrant to discuss the type of work the candidate has performed or expects to perform in the upcoming quarter until such time as the applicant completes the required 1800 hours of experience. She stated that the OSA deemed this process to be fair and reasonable. She recommended that such examples be included in the Board's rules. Chairman Johnson commented that he appreciated her remarks and added that there are many examples other than those referenced in the letter and that rules will be written next year for administration of the experience requirement. (Appendix 1)

Consent Agenda: The Consent Agenda contained 2 items for the Board's consideration: (1) Approve the minutes of the February 27, 2004 Board meeting and March 5, 2004 Rules Public Hearing; and (2) Ratify actions taken by the Executive Director on applications and registrations filed since the previous meeting.

Chairman Johnson questioned the registration of H. B. & M., Inc., a public accounting firm from Utah on the Activity List.

> Dugger moved to accept the Consent Agenda subject to the verification and resolution of the registration of H. B. & M., Inc., a Utah public accounting firm on the Activity List; Volturo second. Affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John and Dugger. Dugger abstained from voting on the minutes since he was not present at the February 27, 2004 meeting.

Introduction of Paul Cornell, President of the Spirit Bank: Chairman Johnson introduced Spirit Bank President Paul Cornell and stated that he is a CPA formerly from KPMG and Weokie Credit Union. Chairman Johnson expressed appreciation to him for Spirit Bank's hospitality.

Discuss the Board's Outreach Program and its Mission: Chairman Johnson noted the Board's mission is to protect the public, serve its registrants, and provide information to those seeking to become registrants of this Board. He commented that it was in the Board's best interest to attract the best and brightest from collegiate programs to this profession. He stated that the Board had already made several Outreach presentations on various college campuses around the state since 2001. He mentioned upcoming Outreach presentations at

Tulsa University, Northeastern University, Southeastern University, Northwestern University, Oklahoma City University and Northeastern State University. Executive Director Steele explained that a letter was sent via e-mail to all Accounting Department heads from the colleges and universities on the Board's

mailing list informing them that such outreach services were available. She added that many of them have invited the Board to make its presentation to their students. He commented that last month's Board Meeting held on the campus of the University of Central Oklahoma was very successful and added that the reception held for AICPA Board Chairman Scott Voynich the evening before the February Board Meeting went very well. He mentioned that NASBA Chairman David Costello attended the Board's meeting in September on the Oklahoma State University campus in Tulsa.

Discuss and Act on Request from NASBA for Nominations to Serve on the Board of Examiners: Chairman Johnson noted the letter sent from Mark Harris, Regional Representative of the NASBA Board to the members of the Oklahoma Accountancy Board. He emphasized the time commitment involved in serving on the Board of Examiners and its subcommittees. He explained that the Board of Examiners meets several times throughout the year and that the minimum length of its meetings is two days in addition to potentially lengthy conference calls. Mr. Dugger expressed an interest to be appointed to NASBA's Board of Examiners or any of its subcommittees. Chairman Johnson invited other members of the Board to seek nomination for the Board of Examiners or any of its subcommittees. He referenced several members of the Board who are currently serving on NASBA and AICPA committees.

Mr. Dugger stated that if appointed he would provide the Board with appropriate results of the meetings attended to keep the Board informed of the direction the Board of Examiners is taking. Chairman Johnson noted that the Oklahoma Accountancy Board will work with Member Dugger appropriate to this endeavor. Secretary St. John asked if the Chairman would like to be nominated to serve on the Board of Examiners for NASBA. Chairman Johnson declined consideration as a nominee.

> Engelbach moved to nominate Member Tom Dugger to serve on the Board of Examiners for NASBA or any of its subcommittees; Gray second. Affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John and Dugger.

Discuss and Act on Proposed Committee to Review Procedures and Qualifications of Independent Auditors Filing Reports with Governmental Agencies in Accordance with the Governmental Auditing Standards: Chairman Johnson addressed the statutorily mandated Quality Review Program performed by the State Auditor's Office. He explained that the Department of

Education requires firms performing school audits to meet additional qualifications established by the Department of Education. He cited the example of the Department of Education requiring that a firm's peer review report be attached to the engagement letter.

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Chairman Johnson explained that the purpose of the committee is to review the requirements of agencies like the Department of Education and determine if action needs to be taken by the Board. He appointed members Tom Volturo, Janice Gray, and himself as members of the committee with Tom Volturo to serve as Chairman due to his former position as Deputy State Auditor and his involvement with the State Auditor's Quality Review Program. He directed that within the next four months this committee report its findings to the Board.

Administrative Actions Taken: Vice Chairman Engelbach presented a written summary of investigative files and administrative actions taken, with recommendations for the disposition of each.

Cases to dismiss or close:

Case 1419 – Former registrant

In 1997, the former registrant was found in violation of the Act and Board's Rules for failure to timely file a tax return for a client, failure to respond to the client and the Board. His certificate was revoked and he was assessed fines and recovery costs of $2,305.00. He attempted to discharge these fines and costs in a bankruptcy proceeding but could not. Since he can no longer be located the Enforcement Committee recommends this case be closed. Collection efforts can resume should he be located.

Case 1461 – Non-Registrant

In 2000, the Board started an investigation into the non-registrant's activities because she was holding out as a Public Accountant. The Board held a hearing and ordered her to cease holding out and assessed costs and fines of $2,000. She continued to hold out and did not pay the fines and costs. The Board filed for an injunction through the Murray County District Court and was awarded judgment, but the Board's special prosecutor has not been successful in collecting the monetary judgment. The special prosecutor cannot find where she is continuing to hold out as a PA, so the Enforcement Committee recommends the case be closed.

Case No. 1484 – CPA – CPE Audit

In 2002, the CPA failed to document the CPE she claimed toward a permit to practice. This case was initially assigned to a former special prosecutor, but the

case was not filed as requested. Since this case is two years old, the Enforcement Committee recommends that this case be closed but with a stipulation that the registrant be placed in the audit for this year. If she fails to substantiate her CPE again, a new case will be opened.

Case No. 1490 – CPA – CPE Audit

In 2002, the CPA failed to document the CPE he claimed toward a permit to practice. This case was initially assigned to a former special prosecutor, but the case was not get filed as requested. Since this case is two years old, the Enforcement Committee recommends that this case be closed but with a stipulation that the registrant be placed in the audit for this year. If he fails to substantiate his CPE again, a new case will be opened.

Case No. 1494 – Candidate

In 2003, the candidate signed an Administrative Consent Order which provided a two-year probation period. He was to file a letter with each examination application or registration a letter affirmatively stating that he had not been charged with any crime. The candidate failed to file the letter, so the case was reopened and Assistant Attorney General Kinney wrote him a reminder. The candidate has now responded properly so the Enforcement Committee recommends this case be closed.

Case No. 1496 – Candidate

In 2003, the candidate signed an Administrative Consent Order which provided that during the period of his court assigned probation, he was to file a letter from his probation officer with each examination application or registration form affirmatively stating that he was meeting the requirements of his probation. The candidate failed to file the letter, so the case was reopened and Assistant Attorney General Kinney wrote him a reminder. The candidate has now responded properly so the Enforcement Committee recommends this case be closed.

Case No. 1527 – Candidate

In 2003, the candidate signed an Administrative Consent Order which provided that on or before June 30 of each year, he file a letter affirmatively stating that he had not been charged with any crime. The candidate failed to file the letter, so the case was reopened and Assistant Attorney General Kinney wrote him a reminder. The candidate has now responded properly so the Enforcement Committee recommends this case be closed.

Investigative files to close:

File No. 1084 – CPA Firm

The complainant alleged fraud in the audit of an Oklahoma town. The file was assigned to an investigator who wrote in the report advising that there is "no merit in the claims of [the complainant] in terms of standards compliance." The Enforcement Committee recommends this file be closed.
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File No. 1036 – CPA firm

An investigative file was opened when charges were filed against the president of a company alleging fraudulent accounting schemes. Since the accounting firm no longer exists and the president of the company was found not guilty in a criminal trial, the Enforcement Committee recommends this file be closed

File No. 1074 – CPA

The registrant self-reported a criminal charge on his registration renewal. The charge was a misdemeanor spousal abuse and was later dismissed by the court. The Enforcement Committee recommends this file be closed.

File No. 1086 – CPA

The complainant alleged that the registrant was a part of a fraudulent scheme and has filed a civil lawsuit against the registrant. Since these charges appear to be a civil matter, the Enforcement Committee recommends this file be closed at this time. The file can be re-opened if it is determined in the civil case that violations of the law or rules by the CPA were involved.

File No. 1099 – CPA

The complainant alleged that the registrant was involved in an attempt to abuse a family member's estate. The Enforcement Committee recommends this file be closed since this is a civil matter which should be decided in the courts. The file can be re-opened if it is determined in the civil case that violations of the law or rules by the CPA were involved.

File No. 1009 – Former registrant

The Board has received many complaints regarding this former registrant. However, none of the parties who have complained could document that he is holding out as a CPA. Also, staff has been unable to locate this former registrant. Since no complaints can substantiate that the former registrant is

holding out and his other activities do not involve any matter under the Board's jurisdiction, the Enforcement Committee recommends this file be closed.

> Engelbach moved that Case Nos. 1419, 1461, 1484, 1490, 1494, 1496, and 1527 be closed; Investigative Files Nos. 1084, 1036, 1074, 1086, and 1099 be closed; Investigative File No. 1009 regarding a former registrant be closed; Volturo second. Affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John and Dugger.

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Mr. Dugger asked if Case No. 1086 had been previously presented to the Board. Vice Chairman Engelbach responded that it was the same individual but a different matter. Assistant Attorney General Kinney added that the prior matter resulted in a closure of the case and not a dismissal.

Vice Chairman Engelbach stated of the cases closed where there are fines outstanding, those fines must be paid prior to reinstatement of that individual. Chairman Johnson raised the question of why such files were being closed. Assistant Attorney General Kinney responded that a case closed without dismissal can be opened at a later time. Chairman Johnson expressed concern about whether cases where there are fines owed could be closed without being dismissed. Assistant Attorney General Kinney explained that collection activities can be suspended with the closure of the case but collection activities can be reopened should the individual pursue reinstatement. Chairman Johnson directed that a list be developed on these cases with collection activity and establish appropriate flags within these enforcement files for the purpose of inquiries from other state boards regarding the registration status of these individuals.

> Engelbach amended his motion that Case Nos. 1419, 1461, 1484, 1490, 1494, 1496, and 1527; Investigative Files Nos. 1084, 1036, 1074, 1086, and 1099 and Investigative File No. 1009 are to be closed but none are to be dismissed; Volturo accepted the amendment. Affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John and Dugger.

Review and Ratify Verified Experience of Successful Candidates for Certification: Chairman Johnson directed the Board members to review the experience documentation included in the agenda which was submitted by the successful CPA examination candidates who are required to have one-year of experience prior to the issuance of their CPA certificate. Executive Director Steele noted that only 17 of those who successfully passed the CPA examination

in November were required to meet the one-year experience requirement. Chairman Johnson advised the Board members to note who signs off on the applicants' work experience since the statute requires the experience verifier to be a registrant of the Board.

With regard to File No. 13569's application, Chairman Johnson raised the question of why an audit senior and a tax senior rather than a partner of the firm verified his work experience. Mr. Dugger commented that a senior member rather than a partner may be preferable since the senior has more contact with the employee than the partner would. Chairman Johnson expressed concern that the applicant met the experience requirement with only six hours in excess. Secretary St. John commented that once an applicant meets the required number of hours, he/she will most likely submit the experience verification to the

Board for processing even though the applicant is still continuing to accumulate hours. Mr. Dugger acknowledged that he knew this individual and that Secretary St. John's comments were likely correct to this applicant's situation. Ms. Gray questioned why the experience verification form was faxed from a firm other than the registrant's employer. She urged this issue must be resolved. Chairman Johnson asked when these applicants' certificates would be dated. Executive Director Steele replied that they would bear the date of the Board Meeting when the experience was approved by the Board.

With regard to File No. 13375's application, Chairman Johnson raised the issue of how she can perform attest, audit, and advisory service functions for a company not authorized to perform public accounting services. He directed the staff to communicate with the applicant as to whether the auditing work performed was of an internal nature within the operation of the company.

Chairman Johnson stated that the form used by the applicants is in need of revision and directed the staff to look at the experience verification forms used by surrounding states such as Kansas, Louisiana, Nebraska, and Texas.

Executive Director Steele explained the staff's verification process of an applicant's experience. Chairman Johnson recommended the appointment of a committee for the purpose of reviewing the applicants' experience. Mr. Volturo agreed with the appointment of a committee for the purposes of efficiency.

> Gray moved to approve these five applicants subject to the resolution of the issues raised by the Board on the two applications in question; St. John second. Affirmative votes: Gray, Johnson, Engelbach, St. John and Dugger. Negative vote: Volturo.

> Engelbach moved to allow the Chairman to appoint a committee whose first function is to participate in the experience verification of the two applicants in the previous discussion and whose primary function is to sign-off and give a report to the Board; Volturo second. Affirmative votes: Gray, Volturo, Johnson, Engelbach, and St. John. Negative vote: Dugger.

Executive Director Steele requested clarification that the committee appointed would be involved in revising the experience verification forms. Chairman Johnson responded in the affirmative and added that the committee would review and ratify the applicants' experience and recommend to the Board its findings on a going-forward basis in its future meetings.

Mr. Dugger expressed concern that the appointment of such a committee constituted micromanagement since the committee will be highly involved in staff issues and that verification of the applicants' experience is a staff function. Mr.

Volturo stated that part of the committee's function was to ensure that due process is being served. Secretary St. John commented that the committee could serve the staff in a consulting capacity much like the Board's CPE Committee.

Chairman Johnson appointed Member Tom Dugger and Secretary E. B. St. John to the committee with Member Dugger serving as Chairman.

Note and Discuss Summary of Comments Received Relating to the Proposed Rule Amendments; Discuss and Act on the Final Draft of the Amendments to Title 10, Oklahoma Administrative Code: Executive Director Steele referenced summaries of the hearing and the comments submitted to the Board. She noted the scrivener's error on the tagline on 10:15-18-3 of the sections listed under Subchapter 18 on Draft 9. She stated that the tagline should read: "Retake and granting of credit requirements." She commented that in response to the comments made at the public hearing, the Peer Review Committee had submitted changes and amendments to specific rules regarding peer review.

Chairman Johnson noted that a couple of the letters sent to the Board referenced the statute and not the rules. He referenced a letter from an individual who did not apply for the May 2003 examination and requested a rule be made to grandfather those who did not meet the 150-hour education requirement. He stated that the rulemaking process did not allow for such a request since the 150-hour requirement is a statutory requirement.

Chairman Johnson stated that the Members In Industry Committee from the Oklahoma Society of CPAs (OSCPA) attended the public hearing on the rules

and proposed changes to the rule regarding the allowable number of CPE hours earned in industry from 16 to 24. Secretary St. John commented that 16 hours of public accounting CPE was not enough and that the CPE earned in industry might not relate to accounting. Vice Chairman Engelbach concurred and added that 24 hours of public accounting CPE was not excessive for those industry CPAs holding a permit to practice and practicing public accounting on a part-time basis. Mr. Dugger noted that the 24/16 CPE requirement for those employed in industry but have a part-time public accounting practice was the result of a compromise reached between the Board and the OSCPA.

Chairman Johnson stated that the public expects a CPA to be current in accounting topics. Mr. Volturo expressed favor of requiring an equal amount of public accounting and industry CPE such as in the fields of insurance, banking, or oil and gas. Ms. Gray commented that while she could argue either position, it was the public's perception of a CPA that swayed her to support the rules as currently written but she could accept an industry CPA earning 20 hours in industry and earning 20 hours in public accounting related to their public practice. Chairman Johnson noted that the rule had been in effect for only a year.

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> No motion was made to change the rule. The 24/16 CPE requirement will remain as it is currently written in the rules.
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> Volturo moved to amend page 17, line 31 of the proposed rules to change the tagline to read: "Retake and granting of credit requirements" from "Retake and granting credit of requirements" to correct the scrivener's error; Engelbach second. Affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John and Dugger.

As Chairman of the Peer Review Committee, Ms. Gray addressed the changes made to the rules regarding peer review based on the public comments made at the hearing. She acknowledged the concerns raised about the cost of peer review. She stated that a firm performing audits is required to have a peer review once every three years. She commented that the cost is not significant when the cost is divided per year and per audit and when it comes to protection of the public.

Ms. Gray addressed the changes proposed by the Peer Review Committee. She noted the change to the Title of Subchapter 33 from "Quality Review" to "Quality/Peer Review" for purposes of consistency.

<u>10:15-33-4. Enrollment and Participation:</u>

10:15-33-4(B): Ms. Gray proposed changing the reference date for when a peer review must be performed from "the date the services were first provided" to "the year end of the engagement performed." She commented that the suggested date change was a better date to use for required completion of the peer review. She added that the date will still give a firm twelve months in which to enroll in a peer review program.

10:15-33-4(B)(6): Ms. Gray proposed that a firm not be allowed to change sponsoring organizations in the middle of its peer review to prevent a firm from moving from one sponsoring organization to another to avoid completing corrective work required by a sponsoring organization. She commented that the changes in the language clarifies the rule on this issue. Mr. Dugger expressed concern of this provision violating certain SAS requirements. She explained that once a final acceptance letter has been received by the firm, all corrective action has been met. She added that the firm must notify the Board of the sponsoring organization performing its peer review. Mr. Dugger accepted the proposed language.

10:15-33-5. Effect of Successive Modified/Adverse Reports: Ms. Gray proposed changing the title of this section from "Effect of Successive Substandard Reports" to Effect of Successive Modified/Adverse Reports" for the

purposes of clarification and consistency throughout the rules regarding peer review.

10:15-33-5.1: Ms. Gray addressed changing the verbiage from "shall have an accelerated Quality/Peer review …" to "may have an accelerated Quality/Peer review…" in order to give the Peer Review Committee the option to review the corrective action required by a sponsoring organization to determine whether an accelerated review is necessary.

Mr. Dugger questioned that if the operative language were changed to "may," would the firm or the Board's Quality/Peer Review Committee decide whether an accelerated Quality/Peer review would be performed. Ms. Gray replied that the Board's Peer Review Committee would make that decision. Mr. Dugger recommended including language in the rules indicating such. Ms. Gray suggested changing the verbiage to read: "may be required to have an accelerated Quality/Peer review…" Chairman Johnson suggested adding the language: "by the Board" to "may be required by the Board to have an accelerated Quality/Peer review. Mr. Dugger suggested adding the language: "or its designee" to read: "may be required by the Board or its designee to have an accelerated Quality/Peer review."

10:15:33-6. Reporting to the Board: Ms. Gray explained that when a firm receives a requirement to have corrective action, the firm must sign a letter of agreement. In 10:15-33-6.1(B), Ms. Gray proposed requiring a firm to submit this

signed letter of agreement to the corrective action rather than the conditional letter of acceptance if the report is modified or adverse. She noted that this was additional language and not a change to previously proposed language.

10:15-33-6.2: Ms. Gray explained the reason for deleting the language, "of the letter of acceptance" was to make the 30-day requirement all-inclusive to any documentation.

10:15-33-7. Quality/Peer Review Committee: In 10:15-33-7.1, Ms. Gray explained that the reason for inclusion of the verbiage: "The Board does not intend to administer its own Peer Review program" was for clarification purposes. She stated that it was not the Board's intent to have its own Peer Review Program. Mr. Dugger expressed concern with having authority in the statute for such responsibility but refusing said responsibility in the rules. He suggested using such language: "The Board may appoint a Peer Review Committee" instead of the language "does not." He expressed concern that the legislature might have difficulties with accepting the proposed language of: "The Board does not intend…" He suggested making this a policy and not a rule.

Ms. Gray referenced 10:15-33-7.5(A) as being subject to misinterpretation that the Board's Peer Review Committee would be administering its own peer reviews. She added that the Board had received more than one comment on this during the public comment period. Chairman Johnson suggested changing the
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verbiage in that section rather than in the section previously discussed. Ms. Gray expressed favor in reverting to the original verbiage proposed in 10:15-33-7.1.

10:15-33-7.5: Ms. Gray noted the verbiage change from "The Quality/Peer Review Committee shall…" to "The Quality/Peer Review Committee may…"

10:15-33-7.5(A): Ms. Gray addressed the addition of the language: "and provide such results to the Board" for such situations wherein a firm is being uncooperative with the sponsoring organization. Mr. Dugger asked if the Board would receive copies of peer review reports. Ms. Gray responded in the affirmative. Chairman Johnson asked what types of reports will be received by the Board. Ms. Gray replied that the Board will receive all reports. She explained that if the report is unqualified, the Board will only receive the report and that if the report is modified or adverse, the Board will receive the report in addition to all documentation. Chairman Johnson suggested leaving the language in this section as it was previously proposed. All Board members present were in agreement.

10:15-33-7.5(C): Ms. Gray addressed the deletion of subparagraph C by stating that part of the Board's Peer Review Committee's responsibility to review and ensure that each sponsoring organization has due process in place within its procedures.

10:15-33-7.6: Secretary St. John questioned the purpose of its inclusion. Ms. Gray explained that the Board should be given the ability to remove a member of its Peer Review Committee by a majority vote if a member is no longer qualified to serve.

Chairman Johnson expressed appreciation for the time and effort Members Gray, Volturo and Nickles devoted to drafting rules on peer review. He noted that peer review is required in 33 states and is required in the contiguous states. He commented that it is in the best interest of the public for the Board to require peer review and hold the Board's registrants accountable.

Chairman Johnson acknowledged letters and comments received from the OSCPA and from the OSA regarding the issue of peer review and its cost. He stated that the letters and comments received were taken into consideration by the Board and changes were made in response to those comments.

> Gray moved to adopt the changes made in Subchapter 33: Quality/Peer Review as presented in the Board's discussion; St. John second. Affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John and Dugger.

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> Dugger moved to adopt the final draft of the proposed rules as amended at the Board's meeting on March 19, 2004; Engelbach second. Affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John and Dugger.

Director's Report: Executive Director Steele addressed the problems encountered with the Board's computer systems. She explained that the Norton Anti-Virus software used by the Board had been corrupted, allowing for the system to be infected by a Trojan worm virus which affected the Board's internet server and SQL. She added that it was suggested by the Rueb Group, a computer support vendor hired by the Board, that a separate server be purchased in which to house the SQL server program and the Board's custom databases exclusively. She noted that she acted in accordance with the Board's purchasing policies in that she notified the Chairman for approval of such a purchase, it was approved by the Chairman and the server has been ordered. She added that it was also suggested that a more robust firewall be installed on the Board's server systems.

Ms. Steele reported that NASBA has been formally notified that the Board's Deputy Director, Kelly Brown, is a candidate for the CPA examination. She

explained that Ms. Brown is currently being asked by NASBA to provide feedback related to the problems she has encountered in her interactions with NASBA's Gateway database through such applications as applying for the examination, paying NASBA, and scheduling the examination. Chairman Johnson asked if NASBA has shared any information with her which could be deemed a conflict of interest. Ms. Steele replied that she received a letter from NASBA confirming its knowledge of Ms. Brown's status as a candidate.

Ms. Steele noted that the Oklahoma Accountancy Board has been chosen as a pilot state for NASBA's national CPA database and that the Board's staff will be involved in meetings with the programmers and the NASBA staff in charge of the national database and its processes.

Chairman Johnson asked if procedures and processes had been put in place to prevent the Board's databases from being corrupted again. He emphasized that this cannot be allowed to happen again. He directed Ms. Steele to document the circumstances related to the Board's databases becoming corrupted and submit it in a written report to the Board in addition to written procedures in place to prevent such an occurrence.

Reports from NASBA Administrator's and Legal Counsel Conferences: Executive Director Steele reported that upon her arrival in Savannah for the conference, she was informed by NASBA of a miscommunication regarding its Gateway database. She explained that some of the data fields in NASBA's candidate database which originally had not been designated as "required" were now required fields. She commented that NASBA had developed a nine-member Audit Standards Board for private companies to set new standards. She added
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that the committee will be composed of a variety of members such as investors, users, reviewers, and issuers with no group having a majority on the Board. She mentioned that Douglas Carmichael, the Chief Auditor of the PCAOB made a presentation regarding the PCAOB's purpose and the standards they will be establishing. She stated that New York and California are taking steps toward becoming substantially equivalent. Chairman Johnson noted that Oklahoma has been a leader in the substantial equivalency process.

Assistant Attorney General Kinney reported that 25 jurisdictions were represented at the Legal Counsel session of the conference. He noted that among the issues discussed were peer review, substantial equivalency, and sunset review and the computer based CPA examination. He stated that California was considering development of a practice permit in lieu of substantial equivalency for the purpose that a practice permit could be revoked from a registrant unlike substantial equivalency provisions. He commented that California spent over $8 billion on the Orange County Audit case and the case is now in the Court of Civil Appeals. Chairman Johnson asked if there had been any criminal action in this case. Assistant Attorney General Kinney replied that

some CPAs involved in the case had surrendered their certificates. Chairman Johnson directed Assistant Attorney General Kinney to document the cost of the Orange County Audit case for the Board's future reference.

Chairman's Report: Chairman Johnson reported that SB1488 had been assigned to the House Commerce, Industry & Labor Committee and that he anticipated that the bill will be heard in committee next week. He noted that there was no organized opposition to SB1488. He advised that Representative Jeri Askins was the author of the bill. He added that the Sunset Bills had moved through both houses.

Next Meeting Date Announced: The next Board Meeting is scheduled for 8:30 a.m., April 23, 2004 in Conference Room 269 at the Lincoln Office Plaza in Oklahoma City.

Deceased Registrant: **CPA:** Clifford B. Renegar, Certificate No. 4754-R, issued March 9, 1979

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

Applications for Reciprocal Certificates:

15919-R	Ronald T. Parker
15920-R	Mark Cary Stehr
15921-R	G. Scott Engelbrecht
15922-R	Dennis M. Schleper

Applications for Substantial Equivalency:

Mark. W. Dick (Kansas)
Brian M. Graham (Iowa)
John A. Heiple (Iowa)
Michael Maurice Regan (Iowa)
Sarah Elizabeth Skorburg (Illinois)

Applications for Reinstatement of CPA Certificates:

7955	Lisa G. Hay
9399	David Allen Burns
13031	Jason T. Williams
13158	Geoffrey D. McClanahan
15151	Thomas E. Warner, II

Initial Registration of a CPA Limited Liability Partnership:

Doubet and Gordon CPA's, LLP

Initial Registrations of CPA Professional Corporations:

H.B. & M. Inc. (Utah)
Pickens, Snodgrass, Koch & Company, P.C.

Adjournment: There being no further business to come before the Board, at 12:01 p.m. Chairman Johnson adjourned the meeting.

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Carlos E. Johnson, Chairman

ATTEST:

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E. B. St. John, Secretary

APPENDIX 1

4526.

APPENDIX 1 (Continued)

4527.

ADDENDUM TO THE MARCH 2004 MINUTES

The purpose of this addendum is to include the list of the individuals who passed the November 2003 CPA Examination and applied for a CPA Certificate. They have met the one-year experience and were approved by the Board. Their names were omitted from the minutes.

15923	Stacy Cae McCart
15924	Misti Dawn Mosley
15925	Charles Preston Venable

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Carlos E. Johnson, Chairman

ATTEST:

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E. B. St. John, Secretary