OKLAHOMA ACCOUNTANCY BOARD

MINUTES OF MEETING AND HEARINGS

June 22, 2001

The Oklahoma Accountancy Board convened in regular session on Friday, June 22, 2001 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:

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

In attendance at the meeting: Edith Steele, Deputy Director; Douglas Price, Assistant Attorney General and legal counsel to the Board; Donita Graves and Barbara Walker, Board staff members and E. B. St. John, PA, recently appointed Board member. Daryl Hill, Executive Director, represented the Oklahoma Society of CPAs. Rick Chamberlain, Special Prosecutor, Rod Watson, Attorney, Tracey Martinez, legal intern, Harry Rosengrants, CPA, and Jim Shepherd, Board staff, were also present for relevant segments of the meeting.

Call To Order: At 8:35 a.m. Chairman Russell called the meeting to order and declared a quorum present. Chairman Russell explained that Mr. Askew was not present because he was attending a CPE course and asked that his absence be excused; there were no objections. Mr. Johnson was not present for the convening.

Changes in Board Membership: Chairman Russell announced that Patrick Anderson, in a written notice to the Governor, resigned effective immediately as a member of the Board.

Consent Agenda: The Consent Agenda contained 3 items for the Board's consideration: (1) Approve the minutes of the April 27, 2001 Board meeting; (2) Ratify CPE committee's approval of an extension for CPE compliance for Martin J. Bell, CPA; and (3) Take official notice of the files acted on by the Deputy Director since the previous meeting.

Doug Price arrived during discussion of the following item.

Chairman Russell requested that the Deputy Director briefly explain the request for an extension to comply with the CPE requirement. She explained that because of an eye

condition and hospitalizations, Mr. Bell has been unable to attend CPE courses. Staff recommends the 60 day extension.

> Dugger moved to approve the Consent Agenda; Nickles second. Unanimous affirmative vote.

Mr. Johnson arrived during discussion of the following item.

Proposed Policy for Background Checks on all Successful Candidates Adopted: At its April meeting, the Board requested that staff draft a policy with respect to requiring a background check of all successful candidates. A proposed policy was presented and the Board discussed the need for the new policy and the costs involved. The Deputy Director advised the Board that the charge would be $15 per person and the Board has approximately 100 successful candidates with each examination. Mr. Nickles commented that the policy does not specify any action to be taken. Mr. Price responded that bringing any criminal activity to the attention of the Executive Director or Vice Chairman is in line with the procedures currently taken. Vice Chairman Honea pointed out that had the Board at least randomly checked the background of some applicants there would have been enforcement issues which could have been resolved early. He added if this procedure does not prove to be fruitful that the Board should revisit the policy later. The Deputy Director responded that in earlier discussions, a one-year trial basis was suggested.

> Dugger moved to adopt the policy as written; Johnson second. Affirmative votes: Johnson, Honea, Dugger and Russell. Negative vote: Nickles.

POLICY FOR BACKGROUND CHECKS ON ALL SUCCESSFUL CANDIDATES

On the examination grade release date, a complete list of the successful candidates will be provided by the registration clerk to the OSBI for that agency to perform background checks for any criminal activity, regardless of whether the candidates answered positively or negatively to the felony questions on any initial examination and/or subsequent re-examination applications. This timing will give the Board opportunity to handle any possible enforcement action prior to the issuance of the actual certificate/license.

If criminal activity is reported on a successful candidate, the registration clerk will bring it to the attention of the Executive Director and the Vice Chairman for further action.

Conflicts of Interest Reports Due July 1: Chairman Russell reminded the members of the policy and the July 1 due date. He offered a copy of Mr. Askew's 2000 report as a good example of the information which the reports should contain, including a follow up report when a change occurs.

Report on NASBA Regional Meeting: Secretary Dugger pointed out that many of the issues on the agenda were the same as those in the past. Mr. Johnson commented that the report on the CPE standards was good but the regional meetings need more structure in a shorter period of time. Vice Chairman Honea apprised the Board of the complications which occurred because he was nominated as SW Regional Director while presently a member of the NASBA Nominating Committee. He reported on the issues at the Eastern Regional Meeting since he attended it also. Chairman Russell talked about how the issues never seem to come to a conclusion and stated that the Boards' input goes nowhere. The attendees discussed the working lunch where ethical questions were distributed for discussion among the tables. Vice Chairman Honea commented that a woman at the Eastern Regional meeting stated that Question #8 was the most important one. Question #8 was submitted by Chairman Russell. Mr. Johnson encouraged Board members to continue to offer input.

Proposed Policy to Allow for Reimbursement to Board or Staff Members Taking CPE Courses: Vice Chairman Honea reported that in his enforcement duties, he recently had reason to investigate an on-line ethics CPE course and it occurred to him that he should complete the course himself to ascertain whether it was an acceptable course. Chairman Russell responded that the course needs to be pre-approved by the CPE Committee. Mr. Nickles pointed out that the Board has a policy of not pre-approving courses or sponsors. Mr. Johnson expressed concern that Board members will report this as CPE, and said it should not qualify as a part of their 40 hours. He pointed out that there are times, however, that in enforcement hearings, the Board should have information on sponsors. The proposed policy was amended to reflect that the Board member may not report the CPE completed.

> Johnson moved to approve the policy as revised; Dugger second. Affirmative votes: Dugger, Honea, Russell and Johnson. Negative vote: Nickles.

POLICY TO ALLOW FOR REIMBURSEMENT TO BOARD OR STAFF MEMBERS TAKING CPE COURSES AT THE BEHEST OF THE BOARD

> Upon prior approval by the CPE Audit Committee, any Board or staff member may be reimbursed the cost of a self-study or group program course, including travel expenses, if the course is taken with the intention of determining whether the course meets Board continuing professional education standards or if it is deemed necessary to research the quality of CPE courses taken by registrants. The Board or staff member must make a written report to the Board within the first or second Board meeting following completion of the course under study. Such CPE course(s) shall not qualify for reporting as CPE for said Board member.

Hearing in the Matter of Monty F. Rainwater, CPA

This matter came on for hearing at 9:21 a.m. The members of the Board present were seated on the hearing panel. Douglas Price, Assistant Attorney General, represented

the Board. Rick Chamberlain, Special Prosecutor, represented the State. Mr. Rainwater was not present but was represented by counsel, Mr. Rodney Watson, Attorney, and Tracy Martinez, intern for the law firm. Respondent filed a Motion for Disqualification of Board Members and a Motion For continuance and Brief In Support. Mr. Chamberlain also advised the Board that some outstanding Discovery requests from both sides need to have specific dates established for responses. Mr. Rainwater, in an affidavit, requested that Vice Chairman Honea be disqualified from the hearing panel.

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

Mr. Price noted for the record that the Board discussed the Motion for Disqualification during the Executive Session, and that the Board took no votes or other official action.

> Nickles moved that the Board grant the motion to disqualify Vice Chairman Honea from Case No. 1466; Dugger second. Affirmative votes: Johnson, Nickles, Dugger and Russell. Abstention: Honea.
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> Nickles moved to continue the hearing to the July 20 Board meeting; Johnson second. Affirmative votes: Johnson, Nickles, Dugger and Russell. Honea did not vote.
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> Johnson moved that July 13 be established as the cut off date for all discovery and responses in this case; Nickles second. Affirmative votes: Johnson, Nickles, Dugger and Russell. Honea did not vote.
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> Johnson moved to adjourn the hearing; Nickles second. Affirmative votes: Johnson, Nickles, Dugger and Russell. Honea did not vote.

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. 1466.

Hearing in the Matter of Charles Swinford Powell, CPA

This matter came on for hearing at 10:10 a.m. The members of the Board present were seated on the hearing panel. Douglas Price, Assistant Attorney General, represented the Board. Rick Chamberlain, Special Prosecutor, presented the State's case. Mr. Powell was not present and was not represented by counsel. Respondent's attorney

has asked for a 60-day continuance, but Mr. Chamberlain is in favor of a continuance only until the next Board meeting.

> Dugger moved to grant the request for a continuance to the July 20 Board meeting; Johnson second. Affirmative votes: Dugger, Nickles, Honea, Johnson and Russell.
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> Johnson moved to adjourn the hearing; Nickles second. Unanimous affirmative vote.

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. 1471.

Hearing in the Matter of Michael Alfred Moran, CPA

This matter came on for hearing at 10:06 a.m. The members of the Board present were seated on the hearing panel. Douglas Price, Assistant Attorney General, represented the Board. Rick Chamberlain, Special Prosecutor, presented the State's case. Mr. Moran was not present and was not represented by counsel. Evidence was presented that Respondent received proper notice of the hearing. The purpose of the hearing was to determine whether Respondent failed to comply with competence and technical standards in the Audit Report dated February 21, 2001. An agreed Consent Order was presented to the Board for consideration which provides (1) That Respondent will not conduct any financial audits in the future prior to successfully completing audit-related continuing education courses specified and pre-approved by the then-current Vice chairman; (2) In addition to the normal forty (40) hours of CPE required during the compliance reporting period beginning in the 2001 calendar year and reported June 30, 2002, Respondent will complete twenty-four (24) hours of CPE; (3) Within the sixty-four (64) hours of CPE required Respondent shall complete all of the following courses offered by the Oklahoma Society of Certified Public Accountants: 8/29/01 208 Advanced Update for Compilation & Review - 9/20/01 226 FASB/APB Update 7 Review - 12/10/01 366 Compilation & Review Engagements; (4) In addition Respondent must complete one of the following courses: 12/11/01 370 Four A's: Agreed-Upon, Attest, Accounting & Assurance Services - 12/18/01 392 Cash & Tax Basis Financial Statements. Comparable CPE courses may be allowed as substitutes but only with the pre-approval of the Vice Chairman; (5) Assessment of a $250 fine to be paid on or before June 22, 2001; (6) Assessment of the costs of the proceedings in the amount of $1,000 which is due and payable by cashier's check or equivalent no later than sixty (60) days from the date of the Consent Order; and (7) Any further violations by Respondent will be grounds for a hearing to determine Respondent's eligibility to retain any CPA certificate and/or permit to practice which may be held by him.

> Honea moved to approve the Consent Order; Johnson second. Unanimous affirmative vote

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. 1470.

Carry Over of Enforcement Files: Vice Chairman Honea proposed that a policy be drafted whereby if the outgoing Vice Chairman considers it to be appropriate and necessary to maintain his relationship on any enforcement activity, he continue to be involved and the incoming Vice Chairman not be obligated to participate. Chairman Russell suggested that it only be on cases that were pending prior to being elected Chairman. Secretary Dugger suggested that in cases where there is another Board member who is the enforcement officer, that the policy state "applicable Board members". Mr. Nickles reminded the Board that the rules also allow for another Board member, who is not an officer, work with the Vice Chairman on the enforcement issues.

> Johnson moved that staff draft a policy for the Board's consideration regarding the continuance in the matters which the current Vice Chairman has had significant involvement; Honea second. Unanimous affirmative vote.

Proposed CPE Standards Discussed: Vice Chairman Honea, who is also on the NASBA CPE Committee, asked for volunteers to review, in detail, the AICPA and NASBA jointly proposed standards. The Board's response to the draft is due August 1. He reminded the Board that there is no obligation to adopt these standards, and he summarized some of the comprehensive changes. Messrs. Johnson and Nickles volunteered.

Mr. Harry Rosengrants, CPA, asked to address the Board with regard to CPE as it applies to CPAs in industry. He asked what was the purpose of restricting CPE for those CPAs in industry and who might have a small practice on the side to only courses which relate to their public practice. Chairman Russell responded that the rules provide for this requirement and the justification for CPE is to keep practitioners up-to-date to protect the public. Mr. Rosengrants commented that it is not beneficial for a practitioner to continue to take the same courses over and over just to be able to report them. Chairman Russell responded that it is up to the practitioners to be able to justify and relate the courses they take and how they enhance their public practice. The two points that Mr. Rosengrants wanted to stress to the Board were; 1) that the definition of what CPE courses are allowed for CPAs in industry should be broadened 2) and the questionable effectiveness of the ethics requirement.

Discussion of Letter from Cathy Scott, CPA: Ms. Scott expressed in a letter to the Board her concern for the part-time practitioners in Oklahoma. In her letter she erroneously stated that her CPE had been disqualified, when in fact, staff had only asked for the relationship of the courses to her public practice. She had also received the letter from the Deputy Director reminding firms, including sole practitioners, that all certified and licensed staff members are required to hold a permit. These two incidents deeply concerned her. After reviewing Ms. Scott's letter, the Board instructed staff to respond to, in a friendly manner, her concerns. The Board also reviewed the correction notice which was sent with the CPE request and asked that the verbiage read that the

courses in question were not disqualified and that it is additional information that is sought, not corrections.

FY 2002 Board Budget Work Program Approved: Mr. Johnson summarized the Budget Work Program. Chairman Russell asked why staff projected expected expenditures to be higher than revenue. Mr. Johnson responded that the budget is developed to make allowances to avoid having to make amendments throughout the year. Chairman Russell reminded the Board that part of the fund balance is deferred revenue which should be charted and asked that it be done for the Budget Request.

> Johnson moved to approve the Budget Work Program as prepared; Honea second. Unanimous affirmative vote.

CLEAR Membership Discontinued: The Deputy Director explained that the Board, for many years, has been a member of the CLEAR organization. With the exception of a newsletter and the certified investigator programs which were completed by the former Executive Director and the Board Investigator several years ago, she sees no benefit to continuing the Board's membership at $125 per year.

> Nickles moved to cancel the Board's membership in CLEAR; Dugger second. Unanimous affirmative vote.

Purchase of Two Chairs Approved: Staff requested the replacement of two broken chairs.

> Dugger moved to approve the purchase of the chairs; Nickles second. Unanimous affirmative vote.

Proposal to Convert Board's Custom Databases: Staff proposed the conversion of the Board's registrant and candidate databases to SQL Server 7.0 version. The current Access-operated databases are becoming slow and unstable. CDS Systems, the programmer of the original databases, proposed to convert both databases for $25,000. Jim Shepherd summarized how this would enhance productivity and speed. In response to Chairman Russell, Mr. Shepherd pointed out that the capacity of SQL Server is 1,000 times larger than that of Access. Security for SQL Server has the highest government rating of C2. Secretary Dugger asked if SQL Server is conducive to the digital imaging project and whether it would fit on the Board's current network. Mr. Shepherd responded that it could be fully integrated with the digital imaging. Mr. Nickles reminded the Board that the issue of ownership rights was brought out when the databases were initially programmed. Mr. Shepherd commented that the coding for any customized database is proprietary. The Board requested that CDS Systems put the computer source coding in a trust so if the progamming company should ever go bankrupt, the Board would have access to the coding.

Dugger moved that subject to Mr. Johnson's request to review the contract, preliminary approval should be given with assignment of a Board member to monitor applicable data and bring back to the Board for final approval; Johnson second. Unanimous affirmative vote.

Johnson moved that the Chairman appoint an individual and/or Doug Price to review all of the contracts related to information technology to determine what the Board's and vendor's rights are and report back to the Board within 90 days; Nickles second. Unanimous affirmative vote.

Chairman Russell requested Secretary Dugger to do the oversight. Secretary Dugger accepted.

Request from Patrick Hughes, CPA for Waiver of Permit Fee: Due to overwhelming medical expenses resulting from his terminal illness, Mr. Hughes requested a waiver of the permit fee. Staff recommended that rather than granting a fee waiver, for which the Board's legal counsel advises there is no provision in the law, that the Board grant a six months' deferral of the permit fee.

Johnson moved to approve staff recommendation; Dugger second. Unanimous affirmative vote.

Proposed Policy on Presiding Officer Adopted: Chairman Russell explained that this issue was brought about while he and legal counsel were developing hearing guides. The Board did not have guidance as to what would happen if both the Chairman and Vice Chairman recused themselves from a hearing. The Board discussed alternatives and amended the proposed policy to include the provisions in the Act.

Nickles moved to adopt the following policy as amended; Johnson second. Unanimous affirmative vote.

POLICY ON PRESIDING OFFICER AT BOARD HEARINGS

No sitting Board Member, who, in the case before the Board, has received information or participated in other actions in accordance with Section 10:15-37-1 shall serve as Presiding Officer. In the event no officer is eligible under this policy to be the Presiding Officer, the Presiding Officer will be elected consistent with Section 15.4 of the Oklahoma Accountancy Act.

Executive Session to Discuss Executive Director Position:

Johnson moved to go into Executive Session; Nickles second. Unanimous affirmative vote.

Honea moved to come out of Executive Session; Nickles second. Unanimous affirmative vote.

Johnson moved to approve the job description as amended; Nickles second. Unanimous affirmative vote.

Mr. Price noted for the record that the Board discussed the Executive Director's position, and that the Board took no votes or other official action.

Strategic Planning Project: Chairman Russell reminded the Board that Ken King, the strategic planning facilitator, suggested focus sessions for the registrants or polling. The suggestions were never resolved by the Board, and Chairman Russell recommended that random sample polling would be preferable since most focus group sessions usually bring out people who really just want to complain. The Board needs an objective, across-the-board cross-section of the registrants for the polling. The Board did not object to this suggestion. The Board could either hire Mr. King or a polling group. He suggested that he contact the two universities to determine what they might charge for these services.

Consent Agenda Revisited: Mr. Nickles pointed out that the minutes which were approved in the Consent Agenda did not contain the election of officers. The Deputy Director responded that the approved minutes were for the April meeting and the election was held in May. The Board urged the Deputy Director to complete the minutes from the May meeting as soon as possible.

Chairman's Gavel Presented: Outgoing Chairman Russell told the Board that many organizations present gavels to outgoing chairmen and that he would like the Board to start a tradition of presenting a gavel to the incoming chairmen. With that statement, he presented Chair-Elect Honea with a gavel for use during his term.

Next Meeting Date Announced: The next Board Meeting is scheduled for July 20, 2001.

Deceased Registrants: **CPAs:** Harold G. Fredensborg, Certificate No. 12410-R, issued October 15, 1993; Raymond H. Hefner, Jr., Certificate No. 850, issued January 23, 1953 and David Joe Wilks, Certificate No. 1884, issued February 5, 1966. **PA:** Billy Floyd McKeel, License No. 14, issued June 6, 1968.

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:

15064-R	Dennis L. Garrett
15065-R	Christine Smith Mathews
15066-R	Rachel A. Navarro

3995.

Applications for Reinstatement of CPA Certificates:

3615 Clifford C. Craig
7692 David Franklin Peterson

Initial Registrations of CPA Limited Liability Partnerships:

BKD, LLP
Parman, Tanner, Soule and Jackson, CPA's, RLLP

Initial Registrations of CPA Professional Corporations:

Cochran, Hull & Totten, P.C.
Peck C.P.A., P.C.
Ray D. Young CPA, P.C.
Wright, McAfee, Eaton & Co., C.P.A.'S A Professional Corporation

Initial Registrations of CPA Professional Limited Liability Companies:

AMCPA, PLLC
Kris S. Cummins, CPA, PLLC
Wilsey Meyer Eatmon Tate PLLC

Adjournment: There being no further business to come before the Board, at 12:25 p.m. Chairman Russell declared the meeting adjourned.

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Harold L. Russell, Chairman

ATTEST:

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Tom Dugger, Secretary