

**OKLAHOMA ACCOUNTANCY BOARD
MINUTES OF MEETING AND HEARINGS**

July 20, 2001

The Oklahoma Accountancy Board convened in regular session on Friday, July 20, 2001 in Suite 269, 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 and the Lincoln Plaza's second floor bulletin board 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; Donita Graves and Barbara Walker, Board staff members. Daryl Hill, Executive Director, and Rusty Hale, CPA, liaison, represented the Oklahoma Society of CPAs. Jim Nolen, liaison, and Lee Weeden, Executive Vice President designee, represented the Oklahoma Society of PAs. Patrick Anderson and Vernon Askew, former Board members; Rick Chamberlain, Special Prosecutor; Rod Watson, Attorney; Monty Rainwater, CPA; Mike Crawford, CPA; Mike Sauner; Larri Sue Jones; Barry Gardner; Debra Schwartz, Alicia Connolly-Lohr; Jan Preslar; Billy Lewis; and several members of the media were present for relevant segments of the meeting.

Call To Order: At 8:39 a.m. Chairman Honea called the meeting to order and declared a quorum present. All members were in attendance.

Consent Agenda: The Consent Agenda contained 6 items for the Board's consideration: (1) Approve the minutes of the May 23 and June 22 Board meetings; (2) Ratify CPE Committee's approval of an extension for CPE compliance for Margie Fuller, CPA; (3) Authorize travel reimbursement for appropriate Board members, staff members, attorney general representative, and special prosecutor to attend national, in-state, and out-of-town Board meetings and conferences during the fiscal year 2002; (4) Authorize travel reimbursement for members of the Executive Director Search Evaluation Task Force; (5) Take official notice of the Board's financial statement for the year ended June 30, 2001; and (6) Take official notice of the files acted on by the Deputy Director since the previous meeting.

Russell moved to approve the Consent Agenda; Johnson second. Unanimous affirmative vote.

Proposed Policy for Outgoing Vice Chairman's Continued Involvement In Unresolved Enforcement Files: At its June meeting, the Board requested that a policy be drafted with respect to the Vice Chairman's continued involvement with carry-over enforcement files at the end of the Vice Chair's tenure. Mr. Russell commented that the policy should include provisions for when the Vice Chairman had substantial involvement in the carry-over cases. Douglas Price was consulted during the development of the policy, and he advised the Board that he believed the policy to be a workable one. Other amendments were suggested but none were made to the original draft.

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

POLICY ON OUTGOING VICE CHAIRMAN INVOLVEMENT WITH ENFORCEMENT ISSUES UNRESOLVED AT THE END OF HIS/HER TENURE

At the end of the Vice Chairman's tenure, if he/she will be continuing as a Board member, there may be unresolved enforcement issues for which involvement by the incoming Vice Chairman would give reasonable grounds for the respondent or counsel to ask for disqualification of both persons from the hearing process. Concurrent with the end of his/her term, the outgoing Vice Chairman shall consult with the Board's Attorney, the Special Prosecutor and/or the Executive Director as needed to determine if involvement by the new Vice Chairman will likely result in both members' disqualification.

After the consultation, the outgoing Vice Chairman shall prepare a list of the unresolved enforcement issues for which his/her continued involvement with the prosecution would be necessary to avoid the double disqualification. The list shall be given to the Board Attorney, Special Prosecutor, Executive Director and the incoming Vice Chairman. The outgoing Vice Chairman shall thereafter continue his involvement with the listed enforcement issues until their conclusion.

If, for any reason, the outgoing Vice Chairman's Board member tenure will end concurrent with his/her tenure as the Vice Chairman, the incoming Vice Chairman shall assume enforcement duties on the unresolved enforcement issues.

Certification and Review of Grades: Staff distributed examination statistical data to the Board. The Board considered the official grade report from the May 2001 CPA and PA examination issued by the Advisory Grading Service of the American Institute of Certified Public Accountants. Certificates will be issued to 91 successful candidates from the Certified Public Accountant Examination and to three individuals based upon transferring four conditional credits on the examination from another state.

Secretary Nickles commented that the verification of the staff's grade posting should be accomplished before the Board certifies the grades. The Deputy Director pointed out that this procedure varies depending on the members' schedules.

Chairman Honea asked for a member to volunteer to review the grades prior to their release to the candidates. Mr. Johnson volunteered with Mr. Russell as the alternate. If Mr. Johnson encounters a problem, he will consult with Mr. Russell; and they can consult with Doug Price and the Deputy Director.

Nickles moved to appoint Carlos Johnson and Harold Russell to review the posting of the grades and clarify any corrections that need to be made before the grades are released; Dugger second. Unanimous affirmative vote.

| <u>Certificate Number</u> | <u>Name</u> | <u>Certificate Number</u> | <u>Name</u> |
|-------------------------------|----------------------|-------------------------------|----------------------|
| 15067 | NOPNILA ACTON | 15102 | KELLEY J. GRACE |
| 15068 | BEVERLY JEAN ALLEN | 15103 | EBONY J. GRAHAM |
| 15069 | JOSHUA EDWYN ALLEN | 15104 | ZACHARY GRAVES |
| 15070 | ROBERTA JUNE ALLEN | 15105 | ANITA GWYN GRIFFIN |
| 15071 | STEPHANIE D. BARBEE | 15106 | DIANE M. GUARDIOLA |
| 15072 | KRISTAN L. BATTERSON | 15107 | KRISTI JO HOWEY |
| 15073 | LEAH R. BECKWITH | 15108 | JOANNA C. JADLOW |
| 15074 | BRYAN T. BENEFIEL | 15109 | ALICIA ANNE JOHNSON |
| 15075 | MICHELLE L. BERRY | 15110 | SKIP JOHNSON |
| 15076 | SCOTT M. BERTER | 15111 | JONATHAN E. JOINER |
| 15077 | ERIC M. BLEDSOE | 15112 | MARIA DAWN JONES |
| 15078 | STEWART W BOUTWELL | 15113 | DONNA D. KAPLIN |
| 15079 | KEVIN GENE BOYER | 15114 | TERESSA E. KILLMER |
| 15080 | WILLIAM BROADDRICK | 15115 | MATTHEW J. KLAASSEN |
| 15081 | JERRY B. BROWN | 15116 | DONALD R. KNARR II |
| 15082 | JOEL LINCOLN BROWN | 15117 | STEPHAN G. LARSON |
| 15083 | BETH ANN L. BURKEEN | 15118 | RICK LYNN LAWSON |
| 15084 | ROBIN LYNN BURROW | 15119 | JULIE CRANE LEE |
| 15085 | DANNY ARDEN BUSH | 15120 | NICOLE M. LEMASTER |
| 15086 | REBECCA KAY BYERS | 15121 | SCOTT H. LONG |
| 15087 | STEPHEN P. CALVERT | 15122 | TERRY ANN LOWRY |
| 15088 | NORMA L. CARPENTER | 15123 | DAVID KENNETH LUZA |
| 15089 | SARAH ANN COMPTON | 15124 | MATT J. MAJOR |
| 15090 | STEPHANIE E. CRAIG | 15125 | AMY SUE MANN |
| 15091 | CHRISTY D. DEGIUSTI | 15126 | SANDRA K. MCCARTER |
| 15092 | MARYJO DILLINGHAM | 15127 | CHRISTOPHER D. MOAK |
| 15093 | BRIAN LEE DINSMORE | 15128 | LISA G. MUTCH |
| 15094 | MATTHEW E. DOUTEY | 15129 | SHELLEY L. PALMER |
| 15095 | JEREMY D. FAIRCHILD | 15130 | KATHRYN A. PHILLIPS |
| 15096 | JEFFEREY T. FAWCETT | 15131 | GREGORY F. PICHLER |
| 15097 | APRIL LYNN FORDHAM | 15132 | CRYSTAL D. PRITCHETT |
| 15098 | KEVIN LEE FOSBENNER | 15133 | TRACI DAWN RIGNEY |
| 15099 | JENNIFER LEE FRANTZ | 15134 | MICHAEL J. ROMERO |
| 15100 | MURYL JEAN GILLIS | 15135 | CALVIN L. ROWLAND |
| 15101 | BONNER J. GONZALEZ | 15136 | MELISSA RENEE RUBY |

| <u>Certificate Number</u> | <u>Name</u> | <u>Certificate Number</u> | <u>Name</u> |
|-------------------------------|---------------------|-------------------------------|---------------------|
| 15137 | LISA RENEE RUDISILL | 15149 | JEREMY W. VOGLER |
| 15138 | TIM RAY SANDERS | 15150 | TERRI LYNN WALL |
| 15139 | SHAUNA R. SHOTTON | 15151 | THOMAS E. WARNER II |
| 15140 | EVAN MARTIN SHOUGH | 15152 | BRAD AARON WATKINS |
| 15141 | EVELYN SHROPSHIRE | 15153 | CARMEN S. WAY |
| 15142 | KELLY R. SHROPSHIRE | 15154 | LOIS J. WELCH |
| 15143 | GREGORY M. SHULER | 15155 | RAYMOND B. WHITAKER |
| 15144 | PRESTON BLAIR SMITH | 15156 | JOSH F. WILLIAMS |
| 15145 | JOHN DAVID STEWART | 15157 | THOMAS C. WILLIAMS |
| 15146 | JOHN WESLEY STONE | 15158 | MATTHEW B. WILLRATH |
| 15147 | SHOLPAN S. SZULCZYK | 15159 | W. PAUL WOODY |
| 15148 | KRISTIE E. TIREY | 15160 | CARRIE RENE YOWELL |

Alternate Tulsa Examination Site Arrangements Completed: The Deputy Director told the Board that the Tulsa Exposition Center has been retained for the November 2002 examination. Tables and chairs will need to be rented and the facility has waived its policy of not allowing outside snacks or drinks. The Board was required to move its site because of a large convention which is scheduled at the Tulsa Convention Center and staff was concerned about noise, hotel accommodations and parking problems.

NASBA Issues: Chairman Honea reminded the Board that despite its promise at the May 10 Examination meeting in Chicago, NASBA has not issued the report from the negotiating team. He commented that he feared that the boards would not have adequate time for the legal counsels to review the report before the annual meeting. Mr. Russell also pointed out that in its newsletter NASBA indicated that Noel Allen, NASBA's legal counsel, assured the Boards that a list of key issues to be covered in the contracts will be made available to the Boards for their input. No member of the Board has received this list. Mr. Johnson reported that after a recent meeting between NASBA and the AICPA, NASBA announced that it was very close to an agreement.

Russell moved to instruct the Chairman to write to NASBA to inquire as to why the Boards have not received the list and when the Boards might expect to receive it as well as the contract; Nickles second. Unanimous affirmative vote.

Hearing in the Matter of Monty F. Rainwater, CPA: This matter came on for hearing at 9:05 a.m. The members of the Board present were seated on the hearing panel with the exception of Chairman Honea, who did not participate in the hearing. Vice Chairman Tom Dugger served as Presiding Officer. Douglas Price, Assistant Attorney General, represented the Board. Rick Chamberlain, Special Prosecutor, represented the State. Mr. Rainwater was present and was represented by counsel, Rodney Watson, Attorney. The purpose of the hearing was to determine whether Respondent violated Section 15.14B(6) of the Oklahoma Accountancy Act, OAC 10:15-39-4 and OAC 10:15-39-9(1), (4) and (5) by preparing falsified financial statements, preparing

falsified audit opinion letters, signing false audit representation letters, and presenting the falsified financial statements and audit opinion letters to his employer's Board of Directors. Witnesses called by the State included Barry Gardner, Larri Sue Jones, and Michael Crawford. Respondent presented no witnesses.

The Board adjourned for lunch break at 12:08 p.m. and reconvened at 2:10 p.m.

Special Presentations: Chairman Honea presented plaques to Vernon Askew and Patrick Anderson, recognizing their years of service as members of the Board.

Continuation of the Hearing in the Matter of Monty F. Rainwater, CPA: This matter reconvened at 2:14 p.m. The same members of the Board previously seated were present and Vice Chairman Tom Dugger continued as Presiding Officer.

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

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

Mr. Price noted for the record that the Board deliberated Case No. 1466 and that during deliberation the Board took no votes or other official action as that term is defined in the Open Meeting Act.

Based on the evidence presented and Respondent's admissions, Johnson moved that the Board find that it has been established by clear and convincing evidence that Mr. Rainwater forged the name of Arthur Andersen, LLP to the audit opinion letters dated May 29, 1998; March 4, 1999; and April 21, 2000, and that this amounts to three violations of the Oklahoma Accountancy Act and Board Rules; Russell second. Affirmative votes: St. John, Nickles, Russell, Dugger and Johnson.

Nickles moved that based on the prior findings the Board revoke Mr. Rainwater's CPA Certificate No. 11200 and any issued permit and that the Board shall also assess a fine of \$10,000 for each of the three counts plus costs pertaining to the investigation including legal fees, investigation and expenses related thereto; St. John second. Affirmative votes: Johnson, Dugger, Russell, Nickles and St. John.

Russell moved to adjourn the hearing; 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. 1466.

Hearing in the Matter of Charles Swinford Powell, CPA Postponed: Mr. Chamberlain reported that after the filing of the initial Complaint and Notice of Hearing, additional evidence has come to his attention. An amended Complaint has been filed which added an additional count, and the hearing has been rescheduled for August 24.

Certification and Review of Grades Revisited: It was pointed out that in its earlier discussion regarding the verification of the staff's posting of the grades, the Board did not make any motions which certified the grades.

Nickles moved to certify the grades from the May 2001 CPA and PA examination as reported by the AICPA pending Mr. Russell and Mr. Johnson's review; Dugger second. Unanimous affirmative vote.

Letter from David Vaudt Requesting NASBA Examination Committee Nominations: Chairman Honea advised the members to let him know if any member is interested in volunteering to be on one of the committees and that Board action on the nomination will be required. Mr. Russell pointed out that the list of the committees from Leonard Sanchez includes subcommittees.

Report on the Review of CPE Standards Exposure Draft: Chairman Honea reminded the Board that comments on the exposure draft are due August 1. Questions on the proposal were answered by the chairman since he is on the NASBA CPE Standards Committee. Vice Chairman Dugger also asked the members of the Board's CPE Committee to review and submit comments as soon as possible. Mr. Russell asked if the proposed UAA refers to these standards and requires them to apply. Mr. Johnson responded that it does.

Mr. Russell moved that the Board's CPE Committee, after soliciting all Board members' opinions, respond to the Exposure Draft; Nickles second. Unanimous affirmative vote.

Board's Response to NASBA on meeting with the GAO: Chairman Honea drafted a response to the letter from David Costello regarding the meeting with representatives of the General Accounting Office.

Russell moved to designate the Chairman to respond as he so determines; Johnson second. Unanimous affirmative vote.

Proposed Policy on Computer, Internet and E-Mail Use: Chairman Honea deferred this item until the next meeting to give an opportunity for the staff to combine this policy with any existing communication policies.

CPE Committee Announced: Chairman Honea announced that Vice Chairman Dugger will chair this committee and Messrs. Johnson and St. John are members. One of their first tasks will be to draft a policy on the reciprocal CPE issue. The rules may require, depending upon when the reciprocal application is filed, as much as 80 hours of CPE in a short time period. He encouraged the committee to review the proposal drafted by Mr. Nickles. He recommended that the proposed policy be reviewed by Mr. Price before it is placed on the August agenda.

Virtual Offices: This item was deferred by Chairman Honea until the next meeting.

Report on Meeting with Pam Warren: This item was also deferred by Chairman Honea.

Proposed Act or Rule Changes: Chairman Honea reminded the Board that time is short if there are any issues that need to be corrected in the Act or the Board's rules because of the amount of time that is required in the drafting and adoption. He encouraged the members to compile a list of proposed changes in either the law or rules for the August meeting. A task force will be appointed to review these proposals.

Policy Manual Creation: This item was deferred until the next meeting by Chairman Honea.

Strategic Planning Polling Deferred: Since the plan is not due until October 1, this item was deferred until the August meeting by Chairman Honea.

Interest Income on Funds Deposited with the State Treasurer: Chairman Honea reported that it is possible to have interest income paid on the Board's funds deposited with the State Treasurer. Mr. Johnson reported that a letter to the Office of State Finance is required, which will initiate legislation to allow the interest income. He read from another state agency's statute as to how the legislation should be worded.

Russell moved to issue the letter; Nickles second.
Unanimous affirmative votes.

Request for CPE Waiver by Marion Brodsky Revisited: Chairman Honea reported that in the May meeting a motion was made and seconded but was not voted on by the members. This issue is now moot because Mr. Brodsky has surrendered his license to the Board and asked that it be cancelled. The Chairman asked the members who made the motion and seconded it, if they wanted to now withdraw it. Mr. Johnson withdrew his motion and Mr. Dugger withdrew his second. Chairman Honea declared this issue settled.

Next Meeting Date Announced: The next Board Meeting is scheduled for August 24, 2001 in Tulsa. Secretary Nickles expressed his concern that having the meeting in Tulsa would be difficult for the staff, especially since a hearing is scheduled. Chairman Honea responded that Cabinet Secretary Warren is encouraging boards to meet throughout the State. The original intent was not to have any hearings scheduled for the meeting in Tulsa, but the August hearing was one which had to be heard by the

Board as quickly as possible and, therefore, scheduling it for the August meeting was unavoidable. The purpose of having meetings outside Oklahoma City is to encourage involvement by the public and the registrants. He stated that if no interest is shown, this practice would be revisited.

Certificates Cancelled by Registrants' Requests: CPAs: J. King Bourland, Certificate No. 9042-R, issued July 31, 1986; Sarah Beth Clinton, Certificate No. 15052-R, issued April 27, 2001 and Suzette M. Smith, Certificate No. 14458-R, issued April 30, 1999.

Deceased Registrants: CPA: Baxter Johnson, Jr., Certificate No. 2090, issued July 27, 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:

| | |
|---------|---------------------------|
| 15161-R | Anthony Christopher Evans |
| 15162-R | Timothy Ray Goodger |
| 15163-R | Rhett Henry Inabinet |
| 15164-R | Terry A. Iverson |
| 15165-R | Matthew Slade Kentner |
| 15166-R | Courtney L. Morrill |
| 15167-R | Michael Patrick Oonk |
| 15168-R | Terri J. Rau |
| 15169-R | Gregory Austin Schaefer |

Applications for Reinstatement of CPA Certificates:

| | |
|---------|------------------------|
| 1987 | Rodney Lynn Lee |
| 4564-R | Richard L. Retherford |
| 7085 | Patricia Anne Bazzy |
| 8776 | Laura Beth Archer |
| 12159-R | Karen Ballard Kerchman |

Initial Registration of CPA Partnership:

Gorrell and Associates

Initial Registrations of CPA Professional Corporations:

Becky Taylor, CPA, P.C.
Sharon D. Little C.P.A., P.C.
The Williams Group, CPAS, P.C.

Initial Registration of a CPA Professional Limited Liability Company:

Follmer Rudzewicz PLC

Adjournment: There being no further business to come before the Board, at 4:51 p.m. Chairman Honea called for a motion to adjourn.

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

Archer M. Honea, Chairman

ATTEST:

James A. Nickles, Secretary

4005.

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