OKLAHOMA ACCOUNTANCY BOARD

MINUTES OF MEETING

July 29, 2004

The Oklahoma Accountancy Board (OAB) convened in regular session on Thursday, July 29, 2004 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 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
James A. Nickles, CPA, Member
Janice L. Gray, CPA, Member
Vicky Petete, CPA, Member

In attendance at the meeting: Edith Steele, Executive Director and Kelly Brown, Deputy Director; Jim Shepherd, Paulina Slaymon, and Barbara Walker, Board staff members; Debra Schwartz, Assistant Attorney General; Daryl Hill, Rusty Hale, CPA and Rae Rice, CPA representing the Oklahoma Society of CPAs; and Jim Nolen, representing the Oklahoma Society of Accountants.

Call To Order: At 8:35 a.m. Chairman Johnson called the meeting to order and declared a quorum present. He advised that Member Volturo would arrive late. At the Chairman's request, Executive Director Steele read the names of the visitors present.

Public Comment Period: Chairman Johnson asked Executive Director Steele if she had received any written requests or had been informed by any member of the public wishing to speak before the Board. She replied that she had not.

Consent Agenda: The Consent Agenda contained 2 items for the Board's consideration: (1) Approve the minutes of the June 25, 2004 Board meeting; (2) Ratify actions taken by the Executive Director on applications and registrations filed since the previous meeting.

Ms. Steele noted that the approved Fair Labor Standards Act Policy had been erroneously omitted from the June minutes. Chairman Johnson suggested including the policy as an addendum to the minutes and to note the addendum to the corresponding item.

4565.

Gray moved to approve the Consent Agenda as amended; St. John second. Affirmative votes: Johnson, Engelbach, St. John, Nickles and Gray. Abstained: Petete.

Consideration and Vote to Certify the Scores from the Window 1 Examination: Vice Chairman Engelbach stated that the grades were reviewed by himself and Chairman Johnson and that they found the grade posting to be accurate with no exceptions reported. Chairman Johnson noted that 179 individuals sat for sections of the examination in Window 1. He explained the process of grade verification and posting of the grades to the OAB's database.

Member Volturo arrived at the meeting at 8:47 a.m.

Ms. Gray asked if there were written procedures in place for this grade verification process. Chairman Johnson responded in the affirmative. He commented that the written procedures are available to the Board members for their review should they wish to do so. He commented that candidates have the ability to view their unofficial scores on the Board's website. He noted that no first time candidate passed all four sections of the CBT examination. He also re-affirmed that the data received by the OAB has been tested and it matches the OAB's data.

Ms. Gray asked if Oklahoma candidates who sat out of state are included in the score list sent to the Board. Executive Director Steele responded in the affirmative.

Engelbach moved to certify the scores from Window 1 of the examination; Gray second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.

Certification and Review of the Grades: The OAB considered the official grade report from Window 1 of the CBT examination issued by the NASBA CPA Examination Review Board. Certificates will be issued to 14 successful candidates from the Certified Public Accountant Examination.

Name	Name
BLEVINS, BRANDI D'LYNNE	RICHARDSON, AMY ANETTE
JACKSON, RYAN DALE	ROSS, ANDREA MARIE
KERR, REBECCA ANN	SCHICK, JACQUELINE SUE
LEWIN, BRANDI SUZANNE	SMITH, ALEXIS ERIN
MOTT, MICHELLE VICTORIA	STELLY, JANET CAROL
PALMER, DIRK EUGENE	STILLWELL, LAURA KATHLEEN
QUARRY, JEREMY BRIAN	TRAN, TRUC-MAI VU

Review and Ratify Verified Experience of Successful Candidates for Certification: Executive Director Steele stated that two applicants have met the experience requirement in accordance with the Board's rules and their applications have been reviewed by the Experience Verification Committee.

> St. John moved to accept the experience of both candidates; Nickles second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.

Discuss and Act on Clarification of Oklahoma Administrative Code 10:15-29-3(b) as it Pertains to New CPAs and PAs: Ms. Steele addressed the issues needing clarification which relates to the new CPAs who are required to complete the ethics examination requirement. Ms. Barbara Walker, the OAB's CPE Coordinator, addressed the difference between the passing scores for the ethics examination taken for certification at 90% and the ethics examination taken for CPE at 75%. She stated that the OAB needs to clarify which score it will deem as passing.

Secretary St. John raised the issue about the inclusion of the language: "as part of their CPE requirement." Chairman Johnson replied that the purpose of the inclusion of this language was to allow registrants taking the ethics examination to be able to report this course as part of their CPE requirement. Mr. Nickles noted that successful candidates are not required to earn CPE for their initial permit. Chairman Johnson explained that the candidate could use this course as CPE credit for renewing their permit. He added that individuals who were certified at this Board meeting are required to take the ethics examination. He clarified that the ethics examination is part of the CPE requirement for these individuals whose grades were certified and whose experience was approved at this meeting but that effective July 1, 2005, the ethics examination will be part of the certification requirements.

Ms. Gray requested clarification about the CPE reporting periods and pro-rated CPE. Ms. Walker explained the pro-rated CPE reporting periods. Ms. Gray noted that the intent of the rule is to allow the ethics examination to be reported for CPE credit for the first permit renewal and that the ethics examination is not in addition to the 40-hour CPE requirement. Ms. Steele asked whether this provision would include reciprocal applicants and those registrants applying for an initial interim permit. Chairman Johnson responded in the affirmative.

Mr. Nickles stated that the Board must determine what passing grade to accept and whether to accept the 11-hour ethics exam course on CD-ROM or the 20-hour textbook version. Ms. Gray asked if the course was the same. Chairman Johnson responded in the affirmative.

Returning to the issue of passing scores, Executive Director Steele suggested that since these newly successful candidates would be taking the ethics examination as part of the CPE requirement, the passing score should be 75% but on July 1, 2005 when the ethics examination will be required as part of certification, the passing score should be 90% in accordance with the AICPA. She noted that this requirement will also affect reciprocal applicants in addition to registrants who have never held a permit to practice. Mr. Nickles commented that taking the ethics examination could also be a sanction imposed by the Board in an enforcement matter and that a 90% pass rate should be required in those cases.

Ms. Gray expressed concern about the difference in pass scores and the difference in the number of hours of the same course. Secretary St. John stated that the OAB should be uniform with what other state boards are doing with regard to the pass score. Mr. Nickles expressed concern of allowing only the AICPA's ethics examination to be accepted. Mr. Volturo commented that the Board's rules allow for the AICPA's ethics examination or its equivalent. He raised the question of how the equivalent ethics examination courses will be evaluated by the Board and whether the Board will require the same 90% pass score. Ms. Gray stated that in previous discussions regarding rules changes that an equivalent ethics course must be a minimum of 8 hours. Chairman Johnson concurred.

Mr. Nickles asked whether the Board will receive notification regarding those who took the examination for certification purposes even if the score is not a passing score. Ms. Steele responded in the affirmative. Ms. Walker offered as a point of clarification that the course participant will receive notice of the failing grade but the Board will not.

> St. John moved that for certification the ethics examination score must be 90% or above on the AICPA ethics examination or its equivalent; Nickles second. Engelbach offered the amendment that for an equivalent ethics examination course to be accepted by the Board it must be a minimum of 8 hours; St. John and Nickles accepted the amendment. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.

Executive Director Steele requested clarification as to whether the motion related to those successful candidates who were approved by the Board at this meeting. Chairman Johnson explained that the motion is on a going forward basis and that those who were certified at this Board meeting are required to take the ethics examination. Ms. Steele asked whether the motion applies to 10:15-29-39(b).

> Gray moved that in relation to 10:15-29-3(b) which includes the individuals that passed and the two candidates whose experience was approved by the Board, all new CPAs and PAs by examination and transfer of credit; all reciprocal applicants applying for a permit under 10:15-29-5(b)(5); and all interim initial permit applications for those CPAs and PAs who have not previously held a permit which are covered in 10:15-29-4(c)(5) are required to take the AICPA ethics course or an eight-hour equivalent and that they must obtain a 90% passing grade; Volturo second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.

Executive Director Steele offered to perform research as to whether there are other CPE sponsors who have similar provisions for different credit on courses with both CD-ROM and textbook versions.

Discuss and Act on Recommendations for the OAB's Presentation Ceremony in Light of the Quarterly Release of Examination Scores: Executive Director Steele addressed this issue and the staff's recommendation. She explained that based on the feedback she received the inclusion of a swearing-in ceremony makes the event more professional and meaningful. She explained that until such time as more candidates successfully pass the CPA examination, the Board cannot justify the cost of having the ceremony more frequently than semi-annually. She added that the issue of the ceremony's frequency will be re-evaluated with every grade release. She addressed the staff's suggestion of relocating the ceremony from Rose State to either the State Capitol or the Hall of Mirrors in the Civic Center depending on availability.

Chairman Johnson stressed that the meaning of the ceremony should be more than commemorating the passing of the CPA examination and should involve recognizing the practice of accounting as a profession and not a trade.

Executive Director Steele noted that approximately 50% of those who successfully passed the CPA Examination attend the Presentation Ceremony. Vice Chairman Engelbach commented that under the Board's present law and rules, the Board cannot mandate a swearing-in ceremony. Chairman Johnson suggested including such a requirement in its law and rules.

4569.

> Gray moved that the Board table this issue to allow for staff to continue to discuss and bring it back to the Board at a subsequent Board meeting in addition to permitting the Board's Chairman to appoint a task force to review with staff additional information; Nickles second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.

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

Case No. 1557 – Unregistered firm

A complaint was filed alleging that a software company was advertising and introducing its staff as CPAs when the registrants did not hold permits to practice public accounting. The General Manager of the company has responded and his response satisfied the Enforcement Committee which recommends the case be closed.

Case No. 1568 – Reciprocal applicant

While processing the application, staff noted on the reciprocal application that the applicant had been employed by a public accounting firm for eight months before making application for an Oklahoma CPA certificate and permit to practice. The Vice Chairman authorized the Executive Director to request information from the applicant as to why she did not apply for certification in a timely manner. When no response was received, the Executive Director sent a certified letter explaining the need for a response and warned that the file would be denied if the OAB did not receive a response. No response has ever been received to these letters. Information has come to the attention of the Executive Director that the applicant is no longer employed in Oklahoma and has moved out of state. Since the applicant has refused to respond, the application has been denied by the Executive Director so this case may be closed. This case may be reopened should the applicant wish to pursue certification in Oklahoma in the future.

File No. 1069 – CPA Individuals

A complaint was filed by the City Manager of a township that the auditor contracted by the town was not performing the actual audit but that it was being performed by the former town financial director. The Vice Chairman assigned this file to an investigator. The investigator's report states "I found no act discreditable, conflict of interest, obvious violation of audit standard or fraud in this matter. I found no violations of the Oklahoma Accountancy Act or the

Board's Oklahoma Administrative Code". The Enforcement Committee recommends this file be closed.

File Nos. 1115-1, 1115-2 and 1115-3 – Unregistered firm and CPA Individuals

Three registrants reported to the OAB that they were practicing public accounting under a firm name which was not registered. The registrants and firm were notified that the Oklahoma Accountancy Act requires firm registration and permit. After unsuccessful attempts by staff to resolve the firm registration, the Assistant Attorney General was authorized to issue Cease and Desist letters. The firm has now properly registered, so the Enforcement Committee recommends that the files be closed.

File No. 1116 – Unregistered firm

A registrant reported that he was entering Oklahoma to serve Oklahoma clients under an unregistered firm name. The registrant was notified that the Oklahoma Accountancy Act requires firm registration and permit. After unsuccessful attempts by staff to resolve the firm registration, the Assistant Attorney General was authorized to issue a Cease and Desist letter. A successor firm has now properly registered, so the Enforcement Committee recommends that the file be closed.

File No. 1117 – Unregistered firm

A registrant reported that he was entering Oklahoma to serve Oklahoma clients under an unregistered firm name. The registrant was notified that the Oklahoma Accountancy Act requires firm registration and permit. After unsuccessful attempts by staff to resolve the firm registration, the Assistant Attorney General was authorized to issue a Cease and Desist letter. The registrant has notified the OAB that he will not be practicing public accounting in Oklahoma and has requested the cancellation of his Oklahoma reciprocal certificate, so the Enforcement Committee recommends that the file be closed.

File No. 1119 – Unregistered firm

A registrant reported that he was practicing public accounting in Oklahoma under an unregistered firm name. The registrant was notified that the Oklahoma Accountancy Act requires firm registration and permit. After unsuccessful attempts by staff to resolve the firm registration, the Assistant Attorney General was authorized to issue a Cease and Desist letter. The firm has now properly registered, so the Enforcement Committee recommends that the file be closed.

4571.

File No. 1120 – Unregistered firm

A registrant reported that he was entering Oklahoma to serve Oklahoma clients under a firm name which was not registered. The registrant and firm were notified that the Oklahoma Accountancy Act requires firm registration and permit. After unsuccessful attempts by staff to resolve the firm registration, the Assistant Attorney General was authorized to issue Cease and Desist letters. In response, the registrant notified the OAB that he is no longer practicing public accounting, so the Enforcement Committee recommends that the file be closed.

File No. 1123 – CPA Individual

A complaint was filed that the registrant continued to advertise in various yellow books under "Accountants – Certified Public" without obtaining a permit to practice public accounting. The Vice Chairman authorized the Assistant Attorney General to issue a Cease and Desist letter. The registrant is no longer practicing public accounting due to health and other issues and complied with the requirements in the Cease and Desist letter. His response satisfied the Enforcement Committee and it recommends the file be closed.

Files to be assigned to the Administrative Law Judge:

Subchapter 10:15-37-6(e) of the Oklahoma Administrative Code provides "Hearings will be conducted by one (1) of the following methods, ***as determined by the Board*** (emphasis added): (3) By an attorney licensed to practice law in this state appointed by the Board to act as a hearing examiner or Administrative Law Judge"

Vice Chairman Engelbach recommends the following case be heard before the Administrative Law Judge:

Case No. 1586

> Engelbach moved to close Case No. 1557 and Case No. 1568; Volturo second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.
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> Engelbach moved to close File Nos. 1069, 1115-1, 1115-2, 1115-3, 1116, 1117, 1119, 1120, and 1123; Nickles second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.

> Engelbach moved to assign Case No. 1586 to the Administrative Law Judge; Gray second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.

Case No. 1455-3 – Act on the Reinstatement Application of Wesley LeRoy Gullett: Mr. Gullett's CPA certificate was suspended on January 19, 2001 for two years because he was unable to substantiate the hours of CPE he claimed. Staff recommended that the suspension be lifted but that the registrant be included in the upcoming CPE audit as part of his certificate suspension being lifted.

> Engelbach moved to lift the suspension on Wesley LeRoy Gullett and include him in the upcoming CPE audit; Nickles second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.

Announce Amendments to the List of FY05 Committees and Task Forces: Chairman Johnson explained changes to the committee assignments. He noted that Vicky Petete has been appointed Chair of the Audit Committee based on her expertise, replacing Board Chairman Johnson as Committee Chair. He noted that since the Policy and Procedures Committee is more of a staff function, he removed it from being a committee. He explained that the Travel Committee had been restructured to become a task force with Tom Volturo. He noted that the Executive Director Evaluation Committee was a committee set up by the prior Board Chairman. He added that he renamed this committee the Personnel Committee, amended its responsibilities and appointed the current officers as members.

Chairman Johnson reminded Board members to file their conflict-of-interest statements with the Executive Director by Monday in accordance with Board policy.

Mr. Nickles noted for the record that he had previously discussed with the Chairman that he believed Chairman Johnson has a direct and major conflict of interest with regard to being Chairman of the Rules Promulgation Committee and being Chairman of the Legislative Committee because of his association with the OSCPA's Government Relations Committee, as its Chair, and that he chose to do so despite Mr. Nickles' objection.

Chairman Johnson recommended that a new committee, Alternative Forms of Practice, needs to be formed to address current issues. Mr. Nickles stated that

he had spent a considerable amount of time with this issue as part of a NASBA task force and added that NASBA's attorney Noel Allen had reviewed the Board's rules. Chairman Johnson encouraged any Board members with an interest in being involved with this committee to contact him and he will make official appointments to the Alternative Forms of Practice Committee at the OAB's August meeting.

Discuss and Act on FY05 Budget Work Program: Ms. Gray explained that she and Chairman Johnson had performed an extensive review of the budget with the Board's Executive and Deputy Directors. She noted that she had made some changes regarding expenses for Peer Review and for adjustments to staff salaries and benefits which were approved at the last Board meeting.

> Gray moved that the Board approve the budget for the year ending June 30, 2005; Volturo second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.

Report on the Progress of Proposed Permanent Rules: Chairman Johnson reported that Executive Director Steele and Assistant Attorney General Kinney are presently working on the proposed rules and that these rules will be distributed to the Rules Promulgation Committee. He encouraged all suggestions from Board members about proposed rules be communicated to the Executive Director.

Director's Report: Executive Director Steele addressed the directives from the last Board meeting. She explained that David Kinney is researching how other state agencies format their minutes. She commented that a date for the meeting which will include the Chairs and Executive Directors from the Southwest regional states about substantial equivalency is being developed.

She reported on the Accountants Licensing Database (ALD) meeting she attended in Nashville earlier this week. She explained that the proposed launch date of the ALD has been pushed back to January 2006 instead of January 2005.

Chairman Johnson asked about whether the information regarding independence had been posted on the Board's website. Ms. Steele replied that the language has been forwarded to the Chairman and Vice Chairman for review and then to Member Volturo who is Chair of the Governmental Audit Committee.

Chairman Johnson asked how many sat for the CPA exam in the first window. Ms. Steele replied that 179 candidates sat in the first window. She noted that the Board had received positive feedback about the Prometric centers in Oklahoma. She commented that the Prometric sites expanded their hours on Saturday and that the sites have been very accommodating. She stated that the biggest

problem encountered nationwide by state boards is candidates arriving at the Prometric centers without a Notice To Schedule (NTS). She commented that those candidates who did not go on to NASBA's or the AICPA's websites to work the simulations experienced difficulty during the examination.

Deputy Director Brown explained the security measures implemented by Prometric. Mr. Nickles asked whether there is a formalized procedure in place for OAB members to visit the examination sites. Ms. Steele responded in the affirmative, provided the site is notified in advance by letter for security reasons.

Executive Director Steele distributed to the Board members the FARB publication which included the Code of Conduct. Chairman Johnson directed Ms. Steele to address the announcement of the grade process. Ms. Steele explained the grade notification and verification process. She stated that there will be a posting to the website this afternoon that the scores on the website are now official in addition to a list of successful candidates. Chairman Johnson encouraged the Board members to visit the website to know what the candidates see. Ms. Steele commented that the appeals and grade review processes are also posted on the Board's website.

Chairman's Announcements: Chairman Johnson stated that the Board is acting appropriately in its role of protecting the public and serving its registrants. He explained that the Board is developing a vision statement in addition to a strategic plan.

Next Meeting Date Announced: The next Board Meeting is scheduled for 8:30 a.m., August 27, 2004 in Conference Room 269 at the Lincoln Office Plaza in Oklahoma City.

Certificate Cancelled by Registrant's Request: CPA: (No longer practicing in Oklahoma) Deborah A. Allen, Certificate No. 15041-R, issued February 23, 2001; Ronny D. Bedford, Certificate No. 13995-R, issued November 21, 1997; James R. Bradow, Certificate No. 15785-R, issued August 1, 2003**;** Benita H. Johnson, Certificate No. 10109-R, issued August 24, 1988.

Deceased Registrants: CPAs: Bradley D. Brown, Certificate No. 5022, issued January 28, 1980; Christy Melissa Hill, Certificate No. 10568-R, issued August 24, 1989; Linda B. Hughes, Certificate No. 12030, issued January 28, 1993; Paskell Nobles, Certificate No. 2378, issued July 27, 1970; Wilford Donald Raymond, Certificate No. 690, issued August 7, 1950

Dissolved Firms: CPA Corporations: Bynum & Blevins, Inc.; Gibson & Company, P.C.; Marvin Morse, Inc. **CPA Limited Liability Companies:** Bogle, Hill & Casto, PLLC; Michael O. Lewis, MBA, CPA and Associates, PLC.

4575.

Applications and Registrations Approved:

The following CPA candidates have met the one-year experience and have been approved for certification:

Justin Patrick Meyers
Jeffrey Dean Hannam

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

Applications for CPA Reciprocal Certificates:

15939-R	Mohua Bardhan
15940-R	Sara M. Barritt
15941-R	Edward James Beazley
15942-R	Jacqueline Ann Vassar
15943-R	Andrew S. White

Applications for Substantial Equivalency:

Kevin John Dyck (North Carolina)
Kristin Helms Dyck (North Carolina)
David K. Kato (California)
Shara Slattery (Arkansas)

Applications for Reinstatement of CPA Certificates:

12014	David Allen Groom
4445	Wesley LeRoy Gullett

Initial Registrations of CPA Limited Liability Partnerships:

Eide Bailly LLP (North Dakota)
Lopata, Flegel & Company, LLP (Missouri)

Initial Registrations of CPA Professional Corporations:

Gibson & Wilkey, P.C.
Joey L. Martin, CPA MTAX, P.C.
M Springer & Company, PC
Morse & Co., P.C.
Tana Blevins C.P.A., P.C.

Initial Registrations of CPA Professional Limited Liability Companies:

Bogle, Hill & Keiser, PLLC
Campbell, Mansfield & Wilson, CPA's, PLLC
George A. Jonas CPA, PLLC
Infiniti Business Services PLLC
Steve Ketter CPA, PLC
TD Anderson & Associates, PLLC

Adjournment: There being no further business to come before the Board, at 11:07 a.m. Chairman Johnson called for a motion to adjourn.

Nickles moved to adjourn the meeting; Gray second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles, and Gray.

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Carlos E. Johnson, Chairman

ATTEST:

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E. B. St. John, Secretary

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