

OKLAHOMA ACCOUNTANCY BOARD
MINUTES OF MEETING AND HEARINGS

August 18, 2006

The Oklahoma Accountancy Board (OAB) convened in regular session on Friday, August 18, 2006 in Suite 164, 4545 N. Lincoln Boulevard, Oklahoma City, Oklahoma. A tape recording of the meeting is on file in the OAB office. Members present at the meeting:

Janice L. Gray, CPA, Chair
Vicky Petete, CPA, Secretary
J.H. "Jay" Engelbach, CPA, Member
Carlos Johnson, CPA, Member
E.B. St. John, PA, Member
Wade Biswell, CPA, Member

Also in attendance at the meeting: Staff: Edith Steele, Executive Director, Kelly Brown, Deputy Director; Donita Graves, Jim Shepherd, Barbara Walker and Colin Autin; David Kinney, Assistant Attorney General. Guests: Daryl Hill representing the Oklahoma Society of Certified Public Accountants (OSCPA); Lee Weeden representing the Oklahoma Society of Accountants (OSA); Assistant Attorney General John Crittenden, Mike Crawford, CPA, Raymond Gardner, Jr., and Paul Katz, Suspended Registrants were also present for relevant segments of the meeting.

Agenda Item #1a -- Call To Order: At 8:33 a.m. Chair Gray called the meeting to order.

Agenda Item #1b -- Declaration of Quorum: Chair Gray declared a quorum.

Agenda Item #1c -- Announcement of Legal Meeting Notice: Executive Director Steele confirmed the 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 OAB's office and outside the building and meeting room in compliance with the Open Meeting Act.

Agenda Item #1d -- Announcement of Absences and Action, if Necessary, to Determine Whether Absence(s) Was Unavoidable Pursuant to Title 59, Section 15.3.B.5: Chair Gray noted Vice Chairman Volturo's absence. Due to his absence being unavoidable, his absence was declared excused.

Agenda Item #2 -- Announcement of Visitors: Executive Director Steele read the names of the visitors present.

Agenda Item #3 -- Public Comment Period: Executive Director Steele advised the OAB she had not received any written requests or had been informed by any member of the public wishing to speak before the OAB.

Agenda Item #4 – Consent Agenda: The Consent Agenda contained 4 items for the OAB's consideration. (1) Approve the minutes of the July 21, 2006 Board Meeting; (2) Ratify list of inventory and equipment transferred to Surplus Property; (3) Ratify verified experience of successful candidates for certification; (Appendix 1) and (4) Ratify actions taken by the Executive Director on applications and registrations filed since the previous meeting. (Appendix 1)

St. John moved to accept the Consent Agenda; Engelbach second. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.

Agenda Item #5 – Discuss and Act on Recommendations by the Enforcement Committee: In Vice Chairman Volturo's absence and as a member of the OAB's Enforcement Committee, Member Johnson presented a written summary of investigative files and administrative actions taken, with recommendations for the disposition of each.

Administrative Consent Orders:

Case No. 1638 –Non-Registrant

A referral was given to the OAB that the Respondent signed an Annual Statement of Financial Condition and a letter as a public accountant. An Administrative Consent Order is being offered in this case which provides that the Respondent agreed that violations of Sections 15.11(C), 15.14(A) and 15.14A(A) of the Oklahoma Accountancy Act occurred and shall immediately cease and desist from any further or future violations; assessed a fine in the amount of \$2,500 plus costs in the amount of \$500.

Case No. 1647 – CPA

A complaint was filed with the OAB that the Respondent was holding out under an unregistered firm name. An Administrative Consent Order is being offered in this case which provides that the Respondent agreed that violations of Sections 15.14B (6) of the Oklahoma Accountancy Act and Board Rule 10:15-39-8(a)(2) occurred and shall immediately cease and desist from any further or future violations of these acts; assessed a fine in the amount of \$500 and shall cease and desist holding out under the unregistered name until such time as it is properly registered with the OAB.

Cases to Dismiss:

Case No. 1628 - CPA

A complaint was filed that the registrant failed to timely prepare tax returns for a client and refused to return the client's records. Subsequent to the complaint being filed, the registrant moved to another state. As authorized by the Enforcement Committee, correspondence was sent to the registrant in an attempt to resolve this matter. A formal complaint was filed due to lack of response from the registrant. The registrant has now responded that the tax returns were, in fact, timely mailed to the client. The complainant

has now informed the OAB that the records have been returned so the Enforcement Committee recommends that the case may now be dismissed.

Files to Close:

File No. 1151 – Non-Registrant

A complaint was filed that the individual represented herself as a CPA to her employer. As authorized by the Enforcement Committee a cease and desist letter was issued. The non-registrant's attorney notified the OAB that the non-registrant would abide by all terms of the cease and desist letter and no further violations would occur. The Enforcement Committee recommends the file be closed.

File No. 1248 – Non-Registrant

A complaint was filed that that the non-registrant was holding out in the Cushing/Drumright Yellow Pages under the category "Accountants-Certified Public". As authorized by the Enforcement Committee a cease and desist letter was issued by certified mail. The non-registrant responded and the response satisfied the Enforcement Committee so its recommends the file be closed.

File No. 1262 - CPA

On the biennial registration renewal form filed this year, the registrant self-reported a charge of Driving Under the Influence which occurred in 1983. An OSBI background check was obtained and no other charges were found. The Enforcement Committee recommends the file be closed.

File No. 1264 - CPA

On the biennial registration renewal form filed this year, the registrant self-reported a charge of Public Intoxication which occurred in 1970. An OSBI background check was obtained and no other charges were found. The Enforcement Committee recommends the file be closed.

File 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"

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

None

Johnson moved to approve the recommendation of the Enforcement Committee in Case No. 1638; Engelbach second. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.

Johnson moved to accept the Enforcement Committee's recommendation in Case No. 1647 of a fine in the amount of \$500 and the individual agreed to cease and desist from holding out under an unregistered name; Engelbach second. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.

Johnson moved Case No. 1628 be dismissed; St. John second. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.

Johnson moved File Nos. 1151, 1248, 1262, and 1264 be officially closed; St. John second. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.

Agenda Item #6 – Discuss and Act on Recommendations from Mike Crawford, CPA, in Response to the GAO's Request for Comments to the 2006 Revision Exposure Draft: Mr. Crawford presented his report on the proposed revisions which would have an impact on the OAB and its registrants. He encouraged the OAB to support all the changes that improve the consistency among standards and reduce standards overload. (Appendix 2)

Johnson moved to accept the recommendations in the report of Mr. Crawford and his recommendations as amended by his comments and the Board's comments and that our report be submitted to the GAO; Engelbach second. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.

Case No. 1642 – Hearing in the Matter of William R. Schmidt, CPA: Assistant Attorney General Kinney announced this case had been continued by agreement and a proposed Consent Order had been submitted to the Respondent's attorney for consideration.

Case No. 1646 – Hearing in the Matter of Raymond Harris Gardner, Jr., Suspended Registrant: Assistant Attorney General Kinney noted the Respondent's appearance for the purpose of providing documents for the Enforcement Committee's review. He added that the Respondent has requested to enter into negotiations for a Consent Order and, by agreement, this matter will be continued at the September Board meeting in Tulsa.

Case No. 1645 – Show Cause Hearing in the Matter of the Application to Reinstate the CPA Certificate of Paul M.P. Katz: This matter came on for hearing at 9:24 a.m. The members of the Oklahoma Accountancy Board present were seated on the hearing panel. Assistant Attorney General John Crittenden appeared as Counsel for the Board.

Respondent was present but not represented by counsel. Respondent testified on his own behalf.

Assistant Attorney General David Kinney represented the State. Executive Director Steele was a witness for the State.

The purpose of the Show Cause Hearing was to determine whether the Respondent's certification should be reinstated. The Respondent's certificate had been suspended on February 25, 2000 for two years.

Engelbach moved to go into Executive Session; Biswell second. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.

Engelbach moved to come out of Executive Session; Petete second. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.

Johnson moved that based upon the applicant's response to Item 16 in his application dated May 22, 2006 and the requirement of Exhibit 6, page 4, Item 4 that before reinstatement, the applicant shall demonstrate completion of 40 hours of CPE; that the request for reinstatement be denied; also that if the applicant re-applies, the CPE requirement of 40 hours contain the AICPA Ethics course and that the remaining number of hours of the 40 be completed in areas of Professional Standards; St. John second. Johnson amended his motion to include that his motion is based upon the applicant's application for reinstatement dated May 22, 2006, Exhibit 6, Item 4 and all other evidence presented; St. John accepted the amendment. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.

Johnson moved to adjourn the hearing; Engelbach second. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.

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. 1645.

Case No. 1575 – Hearing in the Matter of James L. Gresham, Revoked CPA:

Assistant Attorney General Kinney requested to defer this case until the September Board meeting in Tulsa.

Johnson moved to defer Case No. 1575; Biswell second.
Affirmative votes: Biswell, St. John, Johnson, Gray,
Engelbach and Petete. Absent: Volturo.

Agenda Item #7 – Discuss and Act on Proposed Policy to Pro-rate or Waive CPE for new CPAs Who Are Certified in the Last Three Months of a Calendar Year [deferred from the July meeting]: Executive Director Steele requested this item be deferred indefinitely until the OAB's Rules Committee can analyze the proposed policy.

Johnson moved to adopt the proposed policy in Item 7;
motion failed for a lack of second.

St. John moved to defer the item; Johnson second.
Affirmative votes: Biswell, St. John, Johnson, Gray,
Engelbach and Petete. Absent: Volturo.

Agenda Item #8 – Director's Report: Executive Director Steele addressed the following issues:

- Individual Registration Renewal Statistics for the period of June 1, 2006 to July 31, 2006.
- Individual Permit Renewal Statistics for the period of June 1, 2006 to July 31, 2006.
- Contracts and Purchases Authorized by the Executive Director between \$2,500 and \$10,000 since the May Board Meeting (outside of the policy but for the Board's acknowledgment).
- Letter from Angela Sowell, CPA.

Member Johnson suggested a review of the OAB's current policy with regard to the Executive Director's authorized purchases and acquisitions. Chair Gray requested a copy of the current policy be provided to the OAB. Member Johnson requested a summary of the temporary services used and the amount spent in FY 06.

With regard to Ms. Sowell's letter, Chair Gray advised that for future registration periods, there be clear notification of the registration deadline on the website and that the online filing deadline be midnight. She explained that a request had been made to Ms. Sowell to provide documentation reflecting when she was on the website but she was unable to provide such documentation. Chair Gray added that in a conversation with Member Johnson (Chairman of the Technology Committee), she was inclined to offer to Ms. Sowell a Board staff approved individual to examine her computer to

determine whether she logged onto the Board's website before the filing deadline. The OAB agreed that staff should notify Ms. Sowell by letter to make these arrangements.

Agenda Item #9a – Chair's Report: Chair Gray addressed the following issues:

- Relocation of the November 2006 OAB Meeting to the campus of East Central University in Ada, Oklahoma with a reception to be held for students and local CPAs the evening before.
- Scheduling an OAB Meeting for Spring 2007 on the campus of Southwestern University in Weatherford, Oklahoma.
- Chair Gray's consent to serve on NASBA's new BOE State Board Committee if appointed to that committee.

Agenda Item #9b -- Next Meeting Date Announced: The next OAB Meeting is scheduled for 8:00 a.m., September 22, 2006 at the Tulsa Doubletree at Warren Place Hotel, Grand Ballroom Salon A, 6110 S Yale, Tulsa, Oklahoma. A reception is being planned for the evening before for students and local CPAs to attend.

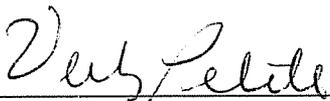
Agenda Item #10 – New Business: No new business.

Agenda Item #11 – Adjournment: There being no further business to come before the OAB, at 10:45 a.m. Chair Gray called for a motion to adjourn the meeting.

Johnson moved to adjourn; St. John second. Affirmative votes: Biswell, St. John, Johnson, Gray, Engelbach and Petete. Absent: Volturo.


Janice L. Gray, Chair

ATTEST:



Vicky Petete, Secretary

APPENDIX 1

CERTIFICATES CANCELLED BY REGISTRANT'S REQUEST:

CPAs:

Coming into Oklahoma to practice under Substantial Equivalency:

Roger D. Hohlt, Certificate No. 14137-R issued January 16, 1998
Steven R. Stoecklein, Certificate No. 10854-R issued May 24, 1990

Canceling CPA Certificate due to the new CPE requirements:

Lester E. Cashmere, Certificate No. 2198 issued July 25, 1969
Deborah Lois Christian, Certificate No. 13092 issued July 31, 1995
Ralph Jeffrey Haas, Certificate No. 2278 issued January 29, 1970
Nancy Lundgren Harrison, Certificate No. 8248 issued July 26, 1985
Linda Marie Headlee, Certificate No. 5962 issued January 29, 1982
Marilyn Cobb Judge, Certificate No. 13513 issued August 5, 1996
Ernest E. Smith, Certificate No. 3726-R issued April 30, 1976

No longer residing in Oklahoma:

Stephen Bennett Allred, Certificate No. 11476-R issued December 19, 1991
Kathryn Anne Glos Dobbs, Certificate No. 6880 issued July 28, 1983
Marian S. Fitts, Certificate No. 7572 issued July 26, 1984
Barbara Hoepfner Fuller, Certificate No. 4772 issued June 18, 1979
Charles LeRoy McDonald, Certificate No. 1992 issued August 5, 1967
Genia L. Peerson, Certificate No. 12162-R issued March 19, 1993
Morris Duane Terveen, Certificate No. 6730 issued January 17, 1983
Doretta M. Watson, Certificate No. 7824-R issued September 27, 1984
Ben Hight Wiles, Certificate No. 5604-R issued January 26, 1981
James D. Wolfe, Certificate No. 4358 issued January 23, 1978

No Longer practicing in Oklahoma:

Karin Lee Eagle, Certificate No. 15910-R issued January 12, 2004
Robert I. Hinds, Certificate No. 6384-R issued July 22, 1982
John A. Jeter, Certificate No. 9354-R issued March 19, 1987
Gary Wade Rogers, Certificate No. 12848-R issued October 21, 1994
Thomas H. Spencer, Certificate No. 11032-R issued July 26, 1990
William D. Wood, Certificate No. 5862-R issued November 20, 1981
Dan W. Youse, Certificate No. 6844-R issued June 16, 1983

Retired:

Henry Edwards Clark, Certificate No. 1026 issued January 22, 1955
Darvis Monroe Craig, Certificate No. 778 issued August 2, 1951

Robert Wayne Henderson, Certificate No. 1856-R issued November 19, 1973
 Ernest Atwood Hicock, Certificate No. 650-R issued October 28, 1949
 Sara Beth Higgins, Certificate No. 3350 issued January 27, 1975
 Judith M. Holton, Certificate No. 6918 issued July 28, 1983
 Anne Ruey-Hwa Hsieh, Certificate 4106 issued July 18, 1977
 John S. Hunt, Certificate No. 455 issued January 5, 1946
 James H. Lepley, Certificate No. 1174 issued January 31, 1957
 Kathryn Orr, Certificate No. 12772 issued August 1, 1994
 E. Joan Preston, Certificate No. 6998 issued July 28, 1983
 Charles Edward Rennie, Certificate No. 9518 issued July 23, 1987
 Nickolas John Slepko, Certificate No. 4566-R issued November 27, 1978
 Edward Whitten Slier, Certificate No. 8676 issued January 23, 1986
 James Robert Spear, Certificate No. 532 issued January 31, 1948
 Anthony Hieu Tran, Certificate No. 10078 issued July 28, 1988
 Nancy L. Swanson VanDuker, Certificate No. 8382 issued July 26, 1985
 William L. Vincent, Certificate No. 4224-R issued November 21, 1977
 Bart William Whertritt, Certificate No. 3020-R issued July 27, 1973
 Edward E. Wolf, Certificate No. 6160-R issued March 17, 1982
 Edward A. Wolff, Jr., Certificate No. 13238-R issued October 18, 1995

PA:**Retired:**

Dan Lee Smith, License No. 610 issued March 15, 1969

DECEASED REGISTRANTS:**CPAs:**

Ted G. Bost, Certificate No. 1898 issued August 6, 1966
 Steven L. Dungan, Certificate No. 2434 issued February 1, 1971
 Thomas R. Harrison, Certificate No. 612 issued August 12, 1949
 William C. Moll, Certificate No. 700 issued August 7, 1950
 Mary Craig Neely, Certificate No. 12794 issued August 1, 1994
 James W. Perry, Jr., Certificate No. 2404-R issued July 26, 1970
 Lonnie Elton Williams, Certificate No. 1577 issued February 3, 1962

DISSOLVED FIRMS:**CPA Corporation:**

Hupp & Bauer, A Professional Corporation

CPA Limited Liability Company:

H & J CPAS, PLLC

Applications Approved: The OAB took official notice of the following experience verification applications which have been approved by the Executive Director:

Name

Joseph Duncan McKellar
Darko Naumoski
Qihua Zhang

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

APPLICATIONS FOR CERTIFICATION (Successful Candidates):

16156	Andrew Paul McLaughlin
16176	Cari A. Madden
16202	Ronnie Keith Morris, Jr.
16204	Marcus A. Huck
16213	Andrew Tyler Brown
16216	John Herschel Morgan
16219	Stacie Rane Willis
16222	Julie Dawn Aggus
16225	Elizabeth Carol Rabe
16226	Aaron K. Roark
16227	Sarah Elizabeth Smith
16228	Andrew Eugene Speakes

APPLICATIONS FOR RECIPROCAL CPA CERTIFICATES:

16233-R	Allen L. Ala
16234-R	Sarah Leanne Mason
16235-R	Elizabeth Ann Newcomer
16236-R	Jill Marie VanTrease

APPLICATIONS FOR PRACTICE PRIVILEGES IN ACCORDANCE WITH SUBSTANTIAL EQUIVALENCY (Based on State SE Recognition):

Boyd Leslies Anderson (North Dakota)
Rose Blakely (Texas)
Joy Brawner (Texas)
Ansley Sonnier Carruth (Texas)
Melissa Erin Connors (Texas)
Barry Alan Goss (Texas)
Roger D. Hohlt (Texas)
Ronald Johnke (North Dakota)
Desiree Chute Latimer (Texas)

Ralph James Llewellyn (North Dakota)
 Troy Patrick Manchac (Texas)
 Joseph Martin (North Dakota)
 William Robert Morton, Jr. (Missouri)
 Christopher Pierce (Texas)
 Laura Leigh Ray (Alabama)
 Jose Angel Salinas (Texas)
 Steven Ray Stoecklein (Kansas)
 Jill Marie Svoboda (Texas)
 Pamela Tatiana Vazquez (Texas)

APPLICATION FOR PRACTICE PRIVILEGES IN ACCORDANCE WITH
 SUBSTANTIAL EQUIVALENCY (Based on Individual SE Recognition):

Larry Leroy Perry (Colorado)

APPLICATION FOR REINSTATEMENT OF A CPA CERTIFICATE:

14411 Paul Andrew Seitsinger

REINSTATEMENT OF CPA LIMITED LIABILITY PARTNERSHIPS:

UHY LLP
 Wipfli LLP

INITIAL REGISTRATIONS OF CPA PROFESSIONAL CORPORATIONS:

Adams Accounting, P.C.
 Alan Holmes and Associates, PC
 Bachelor Integrity Accounting, PC
 Baskin Stevens & Freeland, P.C.
 Glass & Company, Certified Public Accountants, P.C.
 Hardy and Associates, Certified Public Accountants, A Professional
 Corporation
 Hupp, Bauer, Hanson & Lewis A Professional Corporation
 J. Steve Fite, PC

REINSTATEMENT OF CPA PROFESSIONAL CORPORATIONS:

Brady, Martz & Associates, P.C.
 Earl J. Cheek, CPA, P.C.

INITIAL REGISTRATION OF A CPA PROFESSIONAL LIMITED LIABILITY COMPANY:

Morse & Co., PLLC

EDITH STEELE
EXECUTIVE DIRECTOR



BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA
OKLAHOMA ACCOUNTANCY BOARD

August 21, 2006

Mr. Jeffery C. Steinhoff, Managing Director
Financial Management and Assurance
U.S. Government Accountability Office
441 G. Street, NW
Washington, DC 20548

Re: Comments on 2006 Proposed Revisions to *Government Auditing Standards*

Dear Mr. Steinhoff:

The Oklahoma Accountancy Board (OAB) appreciates the opportunity to comment on the Exposure Draft of the 2006 Revision to Government Auditing Standards (ED). We share with the GAO a common mission in protecting the public interest and support your efforts to promote public accountability and the quality of services provided by our registrants.

While we support most of the proposed revisions to Government Auditing Standards (GAGAS), we do have certain concerns and suggestions for your consideration in developing the final updated pronouncement. In the accompanying document entitled Government Auditing Standards – 2006 Revision Exposure Draft – OAB Comments, we have provided these suggestions and expressed these concerns in relation to the GAO Questions for Commenters as contained in the ED.

Should you have any questions regarding our comments or need any clarification, please contact our consultant:

Michael A. Crawford, CPA
Crawford & Associates, P.C.
10308 Greenbriar Place
Oklahoma City, OK 73159
Phone: (405) 691-5550 Fax: (405) 691-5646
Email: mike@crawfordcpas.com

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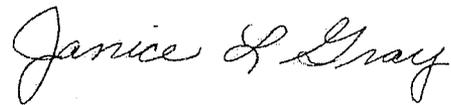
Mr. Jeffery C. Steinhoff

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August 21, 2006

Once again, thank you for the opportunity to comment.

Sincerely,

A handwritten signature in cursive script that reads "Janice L. Gray". The signature is written in black ink and is positioned centrally below the word "Sincerely,".

Janice Gray, Chair

GOVERNMENT AUDITING STANDARDS – 2006 REVISION EXPOSURE DRAFT – OAB COMMENTS

Chapter 1 – Use and Application of GAGAS

GAO Question 1 The section entitled, “Use of Terminology to Define Professional Requirements in GAGAS” was added to clarify the auditor’s responsibilities and to achieve consistency with other standard setting bodies. This new section is consistent with the AICPA Statement on Auditing Standards (SAS) No. 102, *Defining Professional Requirements in Statements on Auditing Standards* issued by the Auditing Standards Board (ASB) of the American Institute of CPAs (AICPA) and with the approach taken by the Public Company Accounting Oversight Board (PCAOB). GAGAS requirements have also been rewritten in accordance with the terminology set forth in this section. This approach is intended to clarify auditors’ responsibilities and assist auditors in applying the standards.

Please comment on the application and use of this terminology throughout the proposed revision to GAGAS.

OAB Comments: The Oklahoma Accountancy Board supports the use of proposed terminology to define professional requirements in GAGAS. Such convergence with other standard-setters is a positive step in easing the burden on our registrants from potential standards overload. In addition, the classification of requirements into categories of (1) unconditionally required, (2) presumptively mandatory, (3) consideration presumptively required, and (4) explanatory, should enhance auditor understanding of the application of the standards and have a positive impact on compliance with professional standards by our registrants.

GAO Question 2 The section entitled “Citing Compliance with GAGAS in the Auditor’s Report” was added to clarify auditor responsibilities and to provide guidance to auditors in situations where they are unable to follow or chose not to follow certain standards. Complementary guidance is also provided in chapters 5 and 8.

Please comment on the application and use of this guidance for citing compliance with GAGAS in auditors’ reports.

OAB Comments: The Oklahoma Accountancy Board supports the use of the proposed guidance for citing compliance with GAGAS and its application with the following exceptions or comments:

Paragraph 1.13. c., and 1.15 a. and c. – The proposed guidance in reporting GAGAS noncompliance in the auditor’s report is unclear and causes us some concern. We are unsure how to apply the concept of negative compliance to the resulting auditor’s opinion. For example, should the auditor consider a disclaimer of opinion as to the achievement of the audit objectives when a negative GAGAS compliance statement is necessary due to the magnitude of scope limitations? Similarly, would a qualified GAGAS compliance statement require the auditor to qualify or consider qualifying the audit opinion for such scope limitations? Chapters

5 and 8 companion guidance do not appear to address this issue either. In addition, we are concerned that a negative compliance statement accompanied by an opinion other than a disclaimer could result in inappropriate reliance on the audit's report or the subject matter of the audit.

Paragraph 1.15 a. and b. – Rather than stating “when auditors do not comply with all requirements”, consider stating “when auditors do not comply with one or more requirements. Some readers might misinterpret the currently proposed language to mean that auditors would have to be in noncompliance with all requirements to consider a qualified statement.

Chapter 2 – Auditors’ Ethical Responsibilities

GAO Question 3 Chapter 2 is devoted solely to emphasizing the ethical responsibilities of government auditors. In the 2003 revision, GAGAS made reference to ethical responsibilities throughout Chapter 1. This 2006 revision adds clarity and emphasis to the discussion of ethical responsibilities of government auditors to uphold and protect the public trust. This chapter employs a principles-based framework of concepts that government auditors use to guide all of their work.

Please comment on the framework discussed in this chapter.

OAB Comments: The Oklahoma Accountancy Board supports the ethical concepts framework proposed in Chapter 2. The re-organization of these ethics concepts within a single chapter should promote better understanding by our registrants. It also appears that the framework is consistent with the ethics requirements of our state accountancy act and administrative code. We support a principles-based approach to defining ethics concepts and hope the GAO avoids supplementing these principles in the future with specific ethics rules and interpretations.

Chapter 3 – General Standards

GAO Question 4 The discussion of nonaudit services and their impact on auditor independence has been significantly streamlined and reorganized from the 2003 revision of the standards to provide clarity. The discussion is in paragraphs 3.30 through 3.35. Additional information on nonaudit services that are generally unique to government audit organizations is presented in the appendix, paragraphs A3.02 through A3.03.

Please comment on the description and categorization of nonaudit services and their impact on auditor independence.

OAB Comments: The Oklahoma Accountancy Board supports the proposed categorization and description of nonaudit services. If auditors were complying with the spirit of the independence requirements contained in the 2003 Revision, then, in our opinion, the proposed description and categorization should not have a significant impact on auditor independence in the future. However, the proposed categorization may enhance auditor understanding of the GAO independence

standards, and as a result may improve compliance with the standards and their intent.

GAO Question 5 The section entitled “Quality Control and Assurance” has been expanded to describe the elements that should be present in an audit organization’s system of quality control. The addition of the specific elements is intended to strengthen the standards and to emphasize consistency of quality control standards among government audit organizations.
Please comment on the expanded discussion of audit quality and the related elements.

OAB Comments: The Oklahoma Accountancy Board supports the proposed expanded discussion of audit quality. However, we have some concerns regarding the categorization of the quality control elements. At the present time, the OAB accepts peer reviews conducted under standards of the AICPA, and as such, recognizes the elements of quality control systems consistent with AICPA QC Section 20. We are also aware of an AICPA pending proposal to amend their Statements on Quality Control Standards (SQCS) to redefine the elements of a quality control system. It appears that the GAO proposed categorization of quality control system elements is inconsistent with AICPA QC Section 20 and the proposed revisions to the SQCS. Even though the differences in standards will not be significant, we urge the GAO to strive for consistency with other stand-setters.

GAO Question 6 The section dealing with external peer review includes the following changes: (1) a transparency requirement that external audit organizations performing GAGAS audits make their results of an external peer review public, and (2) revision of peer review time frames based on risk and the underlying quality assurance system.
The transparency requirement is intended to increase accountability and emphasize the importance of quality for audit organizations that perform audits under GAGAS. The revisions to peer review time frames are risk based and emphasize quality and a rigorous annual inspection program. (The previous standard set the same requirement for all audit organizations, regardless of peer review results or the underlying quality assurance system.)
Please comment on the transparency requirements and the risk-based approach to peer review time frames.

OAB Comments: The Oklahoma Accountancy Board does not support the proposed changes to the requirements for external peer reviews. Such proposals are inconsistent with our current requirements for an external peer review every three years and our option, not mandate, to accelerate peer reviews based on risk. In addition, the GAO proposed changes appear inconsistent with the peer review standards and requirements of the AICPA Peer Review Program which have been established as the minimum standards adopted by the OAB in its Administrative Code. We believe that the proposed five-year alternative period for qualifying audit organizations is too long a period of time to be consistent with the goal to protect the public’s interest. Until all standard-setters and licensing boards can come together to adopt a set of uniform peer review requirements, we cannot support a further differentiation of requirements to be placed on our registrants.

We do support the GAO's goals in conjunction with the proposed transparency requirement in the interest of protection of the public. However, we suggest the GAO consider a number of alternative methods for meeting this transparency requirement.

We have one additional suggestion on an issue that has caused us difficulty in enforcement actions. We feel GAGAS could be enhanced with an expanded discussion of the applicability and timing of peer reviews for situations where an audit organization does not consistently perform GAGAS engagements. For example, an audit organization conducts GAGAS engagements for two years, discontinues in the third year (the year a peer review would cover – and therefore does not undergo a peer review), then accepts another GAGAS engagement in a fourth or fifth year.

Chapter 4—Field Work Standards for Financial Audits

GAO Question 7 The audit documentation standard has been updated and expanded based on the ASB's revised standard, SAS No. 103, *Audit Documentation*. Paragraphs 4.22 through 4.39 are consistent with the AICPA standard. Paragraphs 4.40 and 4.41 are additional GAGAS standards to deal with unique issues associated with auditing in the government environment. The use of these standards is consistent for attest engagements (chapter 6) and performance audits (chapter 7). The overall goal of these revisions was consistency with the ASB standard and among the different types of GAGAS audits.

Please comment on the adoption of this standard.

OAB Comments: The Oklahoma Accountancy Board generally supports the proposed changes to the audit documentation standard. Any change that improves the consistency of standards among standard-setting bodies is welcome. However, we found the proposed language in Chapter 4 regarding audit documentation confusing as to the difference between the AICPA documentation standards and those that were supplemental GAO standards. In fact, in light of the new documentation requirements of the ASB in SAS No. 103, we question why there is still a need for supplemental audit documentation standards in GAGAS.

Chapter 5—Reporting Standards for Financial Audits

GAO Question 8 The financial audit reporting standards have been updated to conform with the ASB's and PCAOB's definitions of material weakness and significant deficiency in internal controls. The definitions and related guidance are provided in paragraphs 5.13 and 5.14. The overall goal of adopting these revised definitions is to achieve consistency with the other standards setters. These definitions may be further clarified in the future by the other standards-setters, and we will continue to work closely with them. The application of these new definitions could affect the number and type of internal control weaknesses reported in GAGAS audits.

Please comment on additional clarity or guidance that would assist in implementing these new definitions.

OAB Comments: The Oklahoma Accountancy Board supports the proposed changes to the reporting standards related to internal control related audit

findings. Any change that improves the consistency of standards among standard-setting bodies is welcome. The example conditions that could lead to internal control findings, as provided in the Appendix, will be helpful guidance to our registrants. In fact, we recommend the GAO consider expanding example conditions to include illegal acts, fraud, and noncompliance.

Chapter 6 – General, Field Work, and Reporting Standards for Attestation Engagements

No GAO Questions directly related to this chapter.

Chapter 7 – Field Work Standards for Performance Audits

See Comments to GAO Questions in Chapter 8.

Chapter 8 – Reporting Standards for Performance Audits

GAO Question 9 The standards for performance audits have been significantly revised to include a specified level of assurance within the context of audit risk and significance (materiality). The level of assurance for performance audits is defined in paragraph 1.35 and incorporated throughout the performance audit standards in chapters 7 and 8. The level of assurance for performance audits is achieved within the context of significance (materiality) and audit risk. The description of significance and audit risk is included in paragraphs 7.04 through 7.06, and the standards in chapters 7 and 8 have been written within this context.

Please comment on the discussion of levels of assurance, significance, audit risk, and their application throughout the performance audit standards.

OAB Comments: The Oklahoma Accountancy Board supports the proposed changes to the fieldwork standards for performance audits. The discussions and applications of level of assurance, significance, and audit risk appear complete and appropriate.

GAO Question 10 Significant discussion has been added to chapters 7 and 8 about the level of evidence needed to achieve the audit objectives in a performance audit. This discussion uses the terminology “sufficient, appropriate evidence” for consistency with other auditing standards setters. The intent of the discussion of sufficient, appropriate evidence is to provide clarity and guidance for making professional judgments about the levels of evidence needed to achieve the audit objectives.

Please comment on the clarity of the standards and the discussion of sufficient appropriate evidence.

OAB Comments: The Oklahoma Accountancy Board supports the proposed changes to the evidence standards in performance audits. Any change that improves the consistency of standards among standard-setting bodies is welcome.

The definitions in 7.08 for “appropriateness” and “sufficiency” appear clear, and the discussion of sufficient appropriate evidence in 7.53 through 7.69 appears clear and comprehensive.

OTHER OVERALL GAO QUESTIONS FOR COMMENTERS

GAO Question 11 The auditor’s responsibility for abuse for financial audits (paragraphs 4.18 through 4.20), attestation engagements (6.17 through 6.22), and performance audits (7.34) has been clarified, but no change was made to the auditor’s responsibility for abuse. The changes were in response to questions received about implementing the standard on abuse.

Please comment on the clarity of the definition of abuse. Please include in your comments any specific examples of abuse you have identified, along with supporting audit reports.

OAB Comments: The Oklahoma Accountancy Board supports the concept of reporting abuse identified in financial statement audits. We also find the definition of abuse to be sufficiently clear and appropriate.

The following is an example of abuse identified by one of our registrants.

A Chief Executive Officer of a municipal government abused provisions of his employment contract to enrich his pay from a base of \$80,000 to an actual amount of \$225,000. This was done by exploiting a provision in his contract to provide a certain number of days in a leave bank at the start of the contract year that could be sold back to the employer government at the CEO’s discretion. The CEO submitted new contracts five times in a single fiscal year for governing body approval with minor wording changes each time. Unknown to the governing body, the CEO was considering each new contract the start of a new contract year and increasing his leave bank each time by the amount provided in the contract. The sale of all this leave bank time resulted in the increased compensation.

GAO Question 12 An appendix has been added to provide supplemental guidance to assist auditors in the implementation of GAGAS. This guidance does not establish any additional auditor requirements.

Please comment on the usefulness and need for the appendix.

OAB Comments: The Oklahoma Accountancy Board supports the use of an Appendix to separate guidance from standards. We consider the Appendix useful and necessary. We also recommend the GAO consider expanding the Appendix for the following:

- If GAO retains the proposed standards on reporting noncompliance with GAGAS pursuant to the Chapter 1 discussion of Citing Compliance with GAGAS, consider including example wording for qualified and negative GAGAS compliance statements
- including the GAO independence question and answers guidance, *Government Auditing Standards: Answers to Independence Standard Questions*, within the Appendix as Information to Accompany Chapter 3

- including the GAO CPE supplemental guidance, *Guidance on GAGAS Requirements for Continuing Professional Education*, within the Appendix as Information to Accompany Chapter 3