

OKLAHOMA ACCOUNTANCY BOARD
MINUTES OF MEETING AND HEARINGS

September 27, 2002

The Oklahoma Accountancy Board convened in regular session on Friday, September 27, 2002 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:

Archer M. Honea, Chairman
Tom Dugger, Vice Chairman
James A. Nickles, Secretary
Carlos E. Johnson, Member
E.B. St. John, Member
J.H. Jay Engelbach, Member
Jeanette C. Timmons, Public Member

In attendance at the meeting: Edith Steele, Deputy Director; John Crittenden, Assistant Attorney General and legal counsel to the Board; David Kinney, Assistant Attorney General and Prosecutor for the Board, Jim Shepherd and Donita Graves, Board staff members. Patty Hurley, Rusty Hale and Jana Harkins represented the Oklahoma Society of CPAs. Jim Nolen represented the Oklahoma Society of Accountants. Rick Chamberlain, Special Prosecutor; Barbara Walker, Board CPE Coordinator; Dr. Carol Knapp, Professor from the University of Oklahoma; Tim Bomhoff, Attorney; Jacqi Brawner, Attorney; and Tom Jablonski, Respondent were also present for relevant segments of the meeting.

Call To Order: At 8:32 a.m. Chairman Honea called the meeting to order and declared a quorum present. He introduced Assistant Attorney Generals John Crittenden and David Kinney.

Consent Agenda: The Consent Agenda contained 5 items for the Board's consideration: (1) Approve the minutes of the August 23, 2002 Board meeting; (2) Ratify staff recommendations to accommodate examination candidates under the provisions of the Americans with Disabilities Act; (3) Authorization of any or all Board members to attend the Oklahoma State University School of Accounting Financial Reporting Conference on October 4 at Board expense including necessary travel; (4) Authorization of any or all Board members to attend a seminar at the Terry Neece Center for Entrepreneurial Excellence, with Sherron Watkins, Keynote Speaker, on October 4, at Board expense including necessary travel; and (5) Take official notice of the files acted on by the Deputy Director since the previous meeting.

Chairman Honea noted that reservations to attend the seminar at the Terry Neece Center for Entrepreneurial Excellence were due on the following Monday. Mr. Johnson proposed the changes to the minutes from the August Board meeting.

Nickles moved to accept the Consent Agenda and amendments to the minutes; Johnson second. Unanimous affirmative vote.

Presentation by Dr. Carol Knapp from Oklahoma University School of Accounting:

The University of Oklahoma has requested a ruling as to whether Accounting course 5970 may be counted toward meeting the auditing requirement of the examination eligibility requirements. Dr. Knapp presented information as to the content and the textbook used in teaching this class. She noted that the AICPA classifies this course as a sub-category of a bigger domain, Assurance Services. Dr. Knapp distributed to the Board a syllabus describing the nature of the course and detailed topics that were auditing based. She explained that there are two types of assurance services discussed in the course: (1) improving information relevance and (2) improving information reliability. She stated that the focus of the course is how managers can use auditors and internal control to run their businesses better and lower the cost of capital, production and distribution and improve the quality of information and reliability, which are components of auditing.

She added that a majority of the focus is on auditing and improving the reliability of information to the benefit of businesses. She discussed in detail that internal controls are discussed in the course as well as analytical procedures, detailed monitoring within a firm, tests of controls, tests of transactions, tests of balances, all of which are auditing topics in addition to audit sampling, auditing allocations and assessments, assertion based auditing, audit and management's responsibilities for financial statements, audit reports and what these mean, modifications of audit reports that are not a standard audit report, auditing computer input, output, generalized audit software, materiality, reasonable assurance, engagement risks, audit risks, Generally Accepted Auditing Standards, audit risk model, reviews, compilations, public disclosure laws and regulations, and the Code of Professional Conduct, which are all covered in the auditing course.

Secretary Nickles asked what percentage of the course relates to auditing. Dr. Knapp replied that 75% is specifically about audit topics and other topics peripheral to auditing such as risk assessment within a business, which is an important component but looked at from a manager's perspective. Vice Chairman Dugger commented that the detailed topics of the course are audit oriented and posed the question of whether these topics are presented from an auditor's standpoint or as an overview from a management's standpoint. Dr. Knapp responded that the textbook specifically covered audit sampling and how to do an audit sample and is presented from both perspectives.

Mr. Johnson pointed out that the title, "Assurance Services" is the term current auditing literature is using. He commented that when the Act was written, auditing was the term used instead of assurance.

Vice Chairman Dugger and Secretary Nickles performed a cursory review of the textbook. Mr. St. John asked if the course was taught at other universities in Oklahoma.

Dr. Knapp replied that the course is used in place of auditing at the University of Texas. Chairman Honea asked if Dr. Knapp could arrange for the Board to have a copy of the textbook to evaluate since this may have to be a policy for consideration at the next Board Meeting. Dr. Knapp commented that the AICPA had broadened the concept of auditing to include assurance services.

Johnson moved that the Board accept the course, "Assurance Services, Accounting 5970" to satisfy the requirement of the Oklahoma statute to sit for the examination; Engelbach second. Affirmative votes: Johnson, Timmons, Engelbach, St. John. Negative votes: Honea and Nickles. Abstained: Dugger. Motion passed.

Hearing in Case No. 1466 – Monty F. Rainwater, CPA: Special Prosecutor Rick Chamberlain stated that the Respondent's attorney was unable to attend today's Board Meeting and requested a continuance to the next Board Meeting. The continuance was granted.

Hearing in Case No. 1520 – Arthur Andersen, LLP: Chairman Honea reported that Vice Chairman Dugger recommended granting a continuance. The hearing was extended to the next Board Meeting.

Hearing in Case No. 1522 – Stacey R. Overton, CPA: This matter came on for hearing at 9:25 a.m. The members of the Board present were seated on the hearing panel. Assistant Attorney General John Crittenden represented the Board. Special Prosecutor Rick Chamberlain represented the State. Mr. Overton was not present but was represented by counsel. The purpose of the hearing was to determine whether (1) Respondent violated Section 15.14B(3) of the Oklahoma Accountancy Act by pleading guilty to the charge of obtaining a controlled substance by a forged or altered prescription, a felony, in the case of *State v. Overton*, Case No. CF-2001-5857, District Court, Oklahoma County, Oklahoma; (2) Respondent violated Section 15.14B(3) of the Oklahoma Accountancy Act by pleading guilty to the charge of attempting to obtain a controlled dangerous substance by a forged or altered prescription, a felony, in the case of *State v. Overton*, Case No. CF-2001-5857, District Court, Oklahoma County, Oklahoma.

A Consent Order was presented which imposed the following sanctions: (1) Respondent's certification is suspended for a period of two years from the effective date of the Consent Order and is subject to a show cause hearing before the Board; (2) Respondent must notify the state in which Respondent holds a Reciprocal Certificate of disciplinary action taken by the Oklahoma Accountancy Board and must provide the Board with evidence of that notification; (3) Respondent is fined \$500 due and payable no later than 60 days from the effective date of the order; (3) Respondent is assessed prosecution costs of \$1300 due and payable no later than 60 days from the effective date of the order; (4) Respondent must show upon reinstatement full and complete compliance of all the conditions in the criminal case; (5) during the two-year suspension, Respondent must comply with the Board's CPE requirements for an individual holding a CPA Certificate and permit to practice in Oklahoma; and (6) during his two-year suspension period and without regard to any particular CPE compliance period,

Respondent shall complete an additional one-time CPE requirement of 20 hours, with 4 hours of Ethics in addition to the normal 2-hour CPE Ethics requirement.

Nickles moved to accept the Consent Order as presented; Engelbach second. Affirmative votes: St. John, Engelbach, Nickles, Dugger, Honea, Timmons and Johnson.

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. 1522.

Show Cause Hearing in Case No. 1483 – Thomas W. Jablonski, Non-Registrant:

This matter came on for hearing at 9:34 a.m. The members of the Board present were seated on the hearing panel. Assistant Attorney General John Crittenden represented the Board. Special Prosecutor Rick Chamberlain represented the State. Respondent was present but not represented by counsel. The purpose of the hearing was to determine whether (1) Respondent violated Section 15.14A(A) and (D) of the Oklahoma Accountancy Act by engaging in the practice of public accounting in Oklahoma between September 1, 2000 and January 15, 2001, without an individual permit to practice; (2) Respondent violated Section 15.14A(A) and (D) of the Oklahoma Accountancy Act by engaging in the practice of public accounting in Oklahoma between February 1, 2001 and April 17, 2001 without an individual permit to practice; (3) Respondent violated Sections 15.11(A) of the Oklahoma Accountancy Act by submitting a resume to a potential Oklahoma employer in February of 2001 using the designation, "Thomas W. Jablonski, CPA," combined with an Oklahoma address and telephone number and the designation "CPA Certificate – Oklahoma 1996," and without a valid Oklahoma CPA Certificate and permit to practice; (4) Respondent violated Sections 15.11(A) of the Oklahoma Accountancy Act by submitting a resume to a potential Oklahoma employer in November of 2001 using the designation, "Thomas W. Jablonski, CPA," combined with an Oklahoma address and telephone number and the designation "CPA Certificate – Oklahoma 1996," and without a valid Oklahoma CPA Certificate and permit to practice; and (5) Respondent violated Section 15.11(A) of the Oklahoma Accountancy Act by submitting a resume to an Oklahoma placement agency in August of 2002 using the designation, "Thomas W. Jablonski, CPA, Tulsa, Oklahoma," combined with an Oklahoma address and telephone number and the designation "CPA Certificate – Oklahoma (Current since 1996 ...)," and without a valid Oklahoma CPA Certificate and permit to practice.

Chairman Honea and Secretary Nickles noted that in the past they had received resumes from the Respondent via fax. Respondent did not wish to have either Board member recused.

Deputy Director Steele was called as a witness. No witnesses were called by the Respondent but Respondent offered evidence for himself.

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

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

Mr. Crittenden noted for the record that the Board deliberated Case No. 1483 and that during deliberation the Board took no votes or other official action as that term is defined in the Open Meeting Act.

Johnson moved that the Board dismiss the complaint as contained in Case No. 1483; Engelbach second. Nickles offered an amendment to the motion to include the Respondent's name, Thomas W. Jablonski. Johnson and Engelbach accepted the amendment. Affirmative votes: St. John, Engelbach, Nickles, Dugger, Honea, Timmons, and Johnson.

Nickles moved that in the Amended Show Cause Hearing against Thomas W. Jablonski in Case No. 1483, the Respondent had shown good cause to be reinstated and that he be reinstated; Johnson second. Affirmative votes: St. John, Engelbach, Nickles, Dugger, Honea, Timmons, and Johnson.

Nickles 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. 1483.

Case Nos. 1519-3 through 1519-51 – Individual Permit Hearings: David Kinney, Assistant Attorney General and Special Prosecutor for the Board, summarized the hearing conducted on Monday, September 16, 2002. He reported that one of the Respondents appeared at the hearing. The Respondent was not in compliance with the Oklahoma Tax Commission and did not present materials to prove that he was in compliance with the Oklahoma Tax Commission. He stated that in all the cases in which exhibits were offered, the findings were that notices of hearing had been properly given. The registrants failed to file the applications for permits to practice public accounting or failed to change the registration information on file with the Board to reflect that the registrants were no longer practicing public accounting in Oklahoma. Mr. Kinney recommended two-year suspensions for the following registrants if they fail to apply for permits by close of business on the Board meeting date which was consistent with past Board policy. He asked the Board to move to accept the findings and recommendations from the hearings.

The following CPA certificates were ordered suspended for a period of two years or until the registrants comply with the statute.

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<u>Registrant's Name</u>	<u>Case No.</u>	<u>CPA Certificate No.</u>
Pauline Wai-Wah Lee	1519-25	14445-R
Billy Erman Mitts	1519-30	5311
Daniel N. Rehanek	1519-37	12991
Joel Shannon Utley, Jr.	1519-46	5351
Gregory Scott Williford	1519-51	14307-R

Nickles moved to accept the Hearing Officer's recommendations; St. John second. Unanimous affirmative vote.

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

Investigative Files:

Administrative Consent Orders:

Case No. 1498 – Examination Applicant

The applicant reported four separate arrests for various charges involving possession of LSD, marijuana, drug paraphernalia, public intoxication, and bench warrants during the period 1993 through 2001. An Administrative Consent Order is being offered in this case which provides that the Respondent is subject to a probationary period beginning with the effective date of the Administrative Consent Order and ending November 1, 2007. Respondent shall be allowed to sit for examination and receive certification upon successful completion. Along with each examination application or, if Respondent successfully passes the examination, his initial and each subsequent registration, Respondent must submit a letter affirming whether or not he has been charged with, pled guilty or nolo contendere to, or been convicted of any crime other than minor traffic violations.

Files Recommended to be closed:

File No. 1001 –Public Accounting Firm

Information came to the Board that the public accounting firm may have been involved with a client in use of aggressive accounting practices to mislead investors. A lawsuit stemming from the allegations was dismissed by the Federal Courts and the Vice Chairman recommends the file be closed.

File No. 1004 – Luther Fisher, CPA

Several complaints were filed with the Board that Mr. Fisher failed to return client records upon request and refused to communicate with his clients or former clients. The Deputy Director was successful in aiding most of the clients by corresponding with

Mr. Fisher both verbally and in writing. However, subsequent complaints have been filed with the Board. Since Mr. Fisher's CPA certificate was revoked for non-compliance with the Oklahoma Tax Commission on August 23, the Vice Chairman recommends the file be closed with instructions to the Deputy Director to continue to assist the former clients if possible.

File No. 1008 – Registrant

A complaint was received alleging that the registrant refused to return client records. In his response, the registrant explained that the client's previous CPA had taken the client's files and submitted proof that a theft report was filed with the local police department. The Vice Chairman was satisfied with the registrant's response and recommends the file be closed.

File No. 1010- Registrant

Complainant alleged that the registrant refused to furnish copies of 1995, 1996, 1997 and 1998 tax returns. The registrant responded that copies of 1997 and 1998 were, in fact, furnished recently to the complainant, but that he could not furnish 1995 or 1996 since he did not prepare the tax returns for those years. The Vice Chairman was satisfied with the registrant's response and recommends the file be closed.

File No. 1013 – Reinstatement Applicant

In the review of the application for reinstatement, it appeared that the applicant had been practicing public accounting since April 2001. In response to the Deputy Director's request, the applicant attested, in writing, that the date cited was in error; it should have been April 2002. The Vice Chairman recommends the file be closed.

File No. 1016 – Registrant

An anonymous complaint was filed with the Board alleging criminal activity. The Board passed a policy in June 1994, not to investigate anonymous complaints so the Vice Chairman recommends the file be closed.

File No. 1020 – Registrant

A complaint was filed that the registrant refused to return documents he received to complete a client's tax return. The registrant complied with the request and submitted documentation of the release. The Vice Chairman recommends the file be closed.

Administrative Consent Orders:

Case No. 1485 – Examination Applicant

The applicant failed to report that she had been found guilty of a misdemeanor charge of DUI. An Administrative Consent Order is being offered in this case which provides

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that the Respondent is subject to a probationary period beginning with the effective date of the Administrative Consent Order and ending September 1, 2004. Respondent shall be allowed to sit for examination and receive certification upon successful completion. Along with each examination application or, if Respondent successfully passes the examination, her initial and each subsequent registration, Respondent must submit a letter affirming whether or not she has been charged with, or convicted of a crime of any sort.

Nickles moved to accept the Vice Chairman's recommendations; Engelbach second. Unanimous affirmative vote.

Act on appeal from Cynthia D. Hess, CPA to Waive Late Registration and Escalated Permit Fees: Deputy Director Steele explained that Ms. Hess claimed that she had contacted the Oklahoma Tax Commission prior to the June 30 deadline and that she was in compliance with the Oklahoma Tax Commission on June 28 but the Oklahoma Tax Commission failed to fax a letter to the Board. Deputy Director Steele added that the Board did not receive the letter by the deadline; therefore, in accordance with the statute, Ms. Hess was assessed the late fees for her registration and permit. She said that the Oklahoma Tax Commission faxed the Board a letter on July 9 notifying the Board that Ms. Hess was now in compliance. Vice Chairman Dugger posed the question of whether waiving the late fees would be in violation of the statute. Assistant Attorney General Crittenden replied that waiving the late fees was not in violation of the statute.

Nickles moved to allow waiver of the late filing fees and penalties on Cynthia D. Hess; Engelbach second. Unanimous affirmative vote.

Discuss and Authorize Oklahoma's Vote at the NASBA Annual Meeting for the Proposed Bylaw Revision by the NASBA Bylaws Committee: Chairman Honea asked the Board if there was a particular way they wanted him to vote. Vice Chairman Dugger suggested appointing an alternate delegate to vote on behalf of the Board.

Dugger moved that based on seniority of Board members in attendance, the Board delegate Carlos Johnson to vote as an alternate delegate; Nickles second. Affirmative votes: Timmons, Honea, Dugger, Nickles, Engelbach, and St. John. Abstained: Johnson. Motion passed.

Report on Executive Director Search Committee: Chairman Honea reported that Dr. Joy Reed Belt had completed her search and presented the executive committee with applicants she felt would be qualified. He added that he had contacted each of the applicants and the interviews are to be scheduled after October 15.

Report on the 2002 CPA Examination Review Board Management Letter: Deputy Director Steele discussed the internal security procedures at the AICPA with regard to the printing, shrink-wrapping and proofing of the examination. She addressed the Essay Task Force's report, which concluded that written communication was an

important skill for CPAs and should be measured as part of the CPA examination, which had been an ongoing controversy. She added that the Board of Examiners would act on it in September. She addressed Item 9:5 where the AICPA continues to urge Board members to be on site during the administration of the examination. She also pointed out the recommendation for cameras to be installed in the unit where the examinations booklets were stored during the examination and suggested that the Board might want to consider this in the future.

Report on Draft of FY04 Budget Request: Mr. Johnson stated that the budget request draft will be filed in accordance with the state statutes by October 1 and that the Board will vote later on the official document.

Administrative Consent Order in Case No. 1485 – Examination Applicant: Vice Chairman Dugger reminded the Board that a special flyer was included in the examination application about the criminal question and that this examination applicant failed to follow the procedure. He addressed the issuance of an Administrative Consent Order assessing a probation period for this applicant and that such action will be consistent for those applicants who fail to comply in the future.

Nickles moved to accept the Administrative Consent Order;
St. John second. Unanimous affirmative vote.

Next Meeting Date Announced: The next Board Meeting is scheduled for 8:30 a.m., October 18 in Suite 269, 4545 N. Lincoln Boulevard, Oklahoma City.

Certificates Cancelled By Registrant's Request: CPAs: Jeffrey Stanford Jones, Certificate No. 14907-R, issued August 18, 2000 **(no longer practicing in Oklahoma)**

Deceased Registrants: CPAs: Leon H. Cox, Certificate No. 1971, issued August 5, 1967; Abdul A. Dhanani, Certificate No. 7845-R, issued December 13, 1984; John Kenneth Jones, Certificate No. 4465, issued July 20, 1978; Patricia M. Limerick, Certificate No. 6643, issued January 17, 1983; Jerry Negelein, Certificate No. 10747, issued January 25, 1990

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:

15502-R	Jessica Ann Boles
15503-R	Daretta Raye Brown
15504-R	John Bruce Hildebrand
15505-R	Mark Allen Kapocsi
15506-R	William John Kennedy
15507-R	Jeffrey S. Plowman
15508-R	Renda Lynn Stuart

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Applications for Reinstatement of CPA Certificates:

7610	Edwin L. Holcomb, Jr.
10588-R	Dennis R. Peare
13324	Thomas Walt Jablonski
13987-R	Susan M. Hinkle

Initial Registration of a CPA Limited Liability Partnership:

McMillan, Moseley, Riddle & Dunnam, L.L.P.

Initial Registrations of CPA Professional Corporations:

Archer & Associates, CPA, P.C.
Carrie Ann Harding, CPA, P.C.
Copeland, Hild & Associates, P.C.
John Flusche Inc. P.C.
Nancy M. Mouser, CPA, P.C.
The J Henry Co. PC
Thomas H. Ledbetter CPA, CFP, PC

Initial Registrations of CPA Professional Limited Liability Companies:

Cook Witty McCabe & Hemphill, A Professional L.L.C.
Hinkle & Company, P.L.L.C.
Leslie C. Vaughn, CPA, PLLC
Lohrey and Associates, P.L.L.C.

Initial Registration of a PA Partnership:

Bowers & Company

Adjournment: There being no further business to come before the Board, at 11:30 a.m. Chairman Honea called for a motion to adjourn.

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

Archer M. Honea, Chairman

ATTEST:

James A. Nickles, Secretary