OKLAHOMA ACCOUNTANCY BOARD

MINUTES OF MEETING AND HEARINGS

September 26, 2003

The Oklahoma Accountancy Board convened in regular session on Friday, September 26, 2003 in the Tulsa Room on the Tulsa OSU Campus, Tulsa, Oklahoma. Notice of the meeting was filed with the Secretary of State and the agenda for the meeting was posted in the reception area of the Board's office and outside the Tulsa Room on the Tulsa/OSU Campus 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
Tom Dugger, CPA, Member
James A. Nickles, CPA, Member
Janice L. Gray, CPA, Member

In attendance at the meeting: Edith Steele, Executive Director; Barbara Walker, Donita Graves, and Jim Shepherd, Board staff members. David Kinney, Assistant Attorney General and Special Prosecutor for the Board, David Costello, President of the National Association of State Boards of Accountancy (NASBA) were also present. Daryl Hill and Sandy Siegfried, CPA represented the Oklahoma Society of CPAs; Jim Nolen, Lee Weeden and Gary Nelson represented the Oklahoma Society of Accountants. Other visitors to the meeting were Scott McLucas from KPMG, Bob Richert, Professor of Langston University-Tulsa and students from Langston University-Tulsa.

Call To Order: At 8:38 a.m. Chairman Johnson called the meeting to order and declared a quorum present. At his request, Ms. Walker read the names of the visitors present.

Chairman's Opening Comments: Chairman Johnson expressed his appreciation for OSU-Tulsa's hospitality and its participation. He introduced David Costello, President of NASBA; all Board members; the Board's Executive Director; and the Board's Special Prosecutor.

Public Comment Period: Chairman Johnson asked Executive Director Steele if she had been informed by any member of the public wishing to speak before the Board. Mr. Nolen requested to address the Board on behalf of the Oklahoma Society of Accountants regarding the Board's appointment of a Peer Review Committee and the Society's involvement in the Certificate Presentation Ceremony. Chairman Johnson replied to Mr. Nolen's comments. He explained the purpose of appointing a Peer Review Committee was to evaluate the national trends on this issue and whether a peer review requirement for individual CPAs and PAs would benefit the public. He

recognized that Member Gray was a member of the AICPA Peer Review Committee and serves as a peer reviewer. He added that her experience and knowledge of the process makes her a qualified chair for this committee in determining whether the Board should recommend a peer review requirement to the legislature for firms and individuals practicing in Oklahoma.

On the issue of the upcoming Presentation Ceremony, Chairman Johnson noted that no PA Licenses were being awarded at this ceremony and that space in the lobby was being offered to all appropriate parties interested in having an exhibit at the ceremony.

Mr. Nickles asked whether any written requests or comments had been received via e-mail or in the form of a letter. Executive Director Steele replied that she had not received any requests or comments for this meeting.

Presentation by David Costello, President of the National Association of State Boards of Accountancy (NASBA): President Costello explained the function of NASBA for the benefit of the visitors and students present. He addressed various programs and for-profit subsidiaries offered by NASBA. He addressed the emerging issues facing the profession and NASBA's role in assisting with the state boards with these issues. He explained the purpose of the Public Company Accounting Oversight Board (PCAOB). He addressed the Sarbanes-Oxley Bill and its impact on the states with regard to such issues as scopes of services, record retention, board composition, public inspections and SEC required audit committees. He explained various programs developed by NASBA for certifying audit committees, approving CPE providers, and offering CPE tracking for large firms. He announced that NASBA is developing a Center for the Public Trust in order to bolster the profession's image. He explained NASBA's development of the computer based examination in conjunction with the AICPA and Prometric. He explained that tutorials and pre-testing were presently being conducted and addressed the various concepts covered in the computerized examination. He lauded the Oklahoma Accountancy Board for its accounting statutes.

Question and Answer Session: Chairman Johnson referenced a survey conducted, as requested by Board members, had been performed by the Executive Director on the CPE requirements of the states and jurisdictions which have been deemed substantially equivalent.

He invited the guests to ask questions of the Board and of President Costello. The Board, its staff, Executive Director Steele and President Costello fielded questions regarding the computer based examination, eligibility requirements, whether international credentials are recognized by the states and how college credits count toward continuing professional education. Chairman Johnson explained the functions of the Board staff and the services available on the Board's website. He emphasized the timely filing of applications with the Board.

Consent Agenda: The Consent Agenda contained 4 items for the Board's consideration: (1) Approve the minutes of the August 29, 2003 Board meeting; (2) Take official notice of the Board's Statement of Cash Receipts and Disbursement for the period ended June 30, 2003; (3) Authorize the Executive Director to enter into a

professional services contract, maximum of $5,000, with Crawford & Associates, CPA firm, to compile the Board's FY-03 financial statements and Management's Discussion and Analysis; and (4) Ratify actions taken by the Executive Director on applications and registrations filed since the previous meeting.

Mr. Nickles noted for the record that future minutes pertaining to the public comment period should include whether or not the Executive Director had received any written requests.

> Gray moved to approve the Consent Agenda; Dugger second. Affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John, Dugger and Nickles.

Case No. 1503 – Hearing in the Matter of Jennifer Diane Alba, CPA, Certificate No. 13068 and Integrated Financial Services, Inc., Non-Registrant: This matter came on for hearing at 10:29 a.m. The members of the Board present were seated on the hearing panel. Assistant Attorney General and Special Prosecutor David Kinney represented the State. Respondent was neither present nor represented by counsel. The purpose of the hearing was to determine whether the Respondent violated (1) Section 15.14A(A) of the Accountancy Act; OAC 10:15-39-8(a) and OAC 10:15-39-9(1) by applying for her *2000 CPA Individual Biennial Registration* and listing Integrated Financial Services, Inc. as her full-time employment, and engaged in the practice of public accounting with the corporation without Integrated Financial Services, Inc. having ever been registered as a firm with the Board and ever having a permit to practice; (2) Integrated Financial Services, Inc. violated Section 15.11(B), 15.15(A), and 15.15A(A) of the Oklahoma Accountancy Act by holding itself out on SuperPages.com as a Certified Public Accounting firm without registering with the Board and receiving a valid Permit to Practice; (3) Integrated Financial Services, Inc. violated Section 15.11(B), 15.15(A), and 15.15A(A) of the Oklahoma Accountancy Act by holding itself out on Switchboard.com as a Certified Public Accounting firm without registering with the Board and receiving a valid Permit to Practice.

No witnesses were called by the State. Special Prosecutor Kinney presented a Consent Order which had been signed by the Respondent. The terms of the Consent Order were: (1) the Respondent be assessed a fine in the amount of $300 which represents the fees the Respondent would have paid for the registration of the firm; (2) the Respondent be required to complete two hours of Ethics, pre-approved by the Board's Vice Chair, in addition to the two-hour CPE Ethics requirement as part of the 40-hour CPE requirement; and (3) the Respondent is responsible for prosecution costs in the amount of $290.22.

> St. John moved to accept the Consent Order as presented in the Matter of Case No. 1503, Jennifer Diane Alba, CPA, Certificate No. 13068 and Integrated Financial Services, Inc., Non-Registrant; Gray second. Affirmative votes: Nickles, Dugger, St. John, Engelbach, Johnson, Volturo and Gray.

> Nickles moved to adjourn the hearing; Dugger second. Affirmative votes: Nickles, Dugger, St. John, Engelbach, Johnson, Volturo and Gray.

The proceedings and the individual votes of the members were conducted in open session. The evidence is contained in Docket File No. 1503.

Case No. 1510 – Hearing in the Matter of Tanra Eileen Mayes, CPA, Certificate No. 13439 and T.E. Mayes & Co., Certified Public Accountant, Non-Registrant: Special Prosecutor Kinney announced that the hearing for this case had been postponed and will be continued at the October 17, 2003 Board Meeting.

Case No. 1548-412 – Dorothy Maxine Mayfield, PA, License No. 871: Executive Director Steele reported that this case had been continued from the last Board meeting. She explained that Ms. Mayfield was sent another certified notification of this hearing and received 20-day notice but still failed to register her PA License. She recommended that the Board accept Hearing Officer Stevenson's recommendation to revoke the license for failure to register and pay the required fee for the biennium ending June 30, 2005.

> Dugger moved to accept the hearing officer's recommendation to revoke the PA license No. 871 of Dorothy Maxine Mayfield; Nickles second. Affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John, Dugger and Nickles.

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. 1502 – CPA Individual

A registrant reported that she was practicing public accounting in Oklahoma under an unregistered firm name. After unsuccessful attempts by staff, the former Special Prosecutor was authorized to issue a Cease and Desist letter. When it appeared that no response was received, the Vice Chairman authorized formal charges and the file was assigned to the Administrative Law Judge. However, no formal complaint was issued because the registrant renewed her registration which reflects that she now practices public accounting under her individual permit to practice. The Vice Chairman recommends that the file be closed.

Case No. 1505 – Non-Registrant

This company is listed in the SWBC Yellow Pages under the heading "Accountants – Certified Public". A Cease and Desist letter was sent to the company by the former Special Prosecutor. When it appeared that no response was received, the Vice Chairman authorized formal charges and the file was assigned to the Administrative Law Judge. However, after the charges were filed, it was discovered that the

Respondent did, in fact, respond to the Special Prosecutor so the Vice Chairman recommends that the case be dismissed by the Board.

Files to Close:

File No. 01-06-01 – CPA Individual

This CPA individual is also an attorney. The complaint was a referral from the Oklahoma Bar Association (OBA) alleging professional misconduct. An investigation by the Board's legal counsel revealed that the charges made by the OBA would not warrant the filing of formal charges by the Board. The Vice Chairman concurred and recommends the file be closed.

File No. 1032 - CPA Individual

A complaint was filed against the registrant alleging incompetence in his work which led his employer into bankruptcy. The Vice Chairman assigned an investigator to the file. The investigator reported that "…there is not a violation of the Oklahoma Accountancy Act." The Vice Chairman recommends that the file be closed.

File No. 1045 – CPA Individual

A registrant reported that she was practicing public accounting in Oklahoma under an unregistered firm name. After unsuccessful attempts by staff, the Assistant Attorney General was authorized to issue a Cease and Desist letter. The registrant has updated her registration information to reflect that the firm was erroneously listed under public practice and that she practices public accounting under her individual permit to practice. The Vice Chairman recommends that the file be closed.

File No. 1053 – CPA Individual

A registrant reported that he was practicing public accounting in Oklahoma under an unregistered firm name. After unsuccessful attempts by staff, the Assistant Attorney General was authorized to issue a Cease and Desist letter. The registrant has updated his registration information to reflect that he has moved to Texas and no longer practices public accounting. The Vice Chairman recommends that the file be closed.

File No. 1068 – CPA Individual

Two complaints were filed by clients of the CPA alleging that the registrant had not properly completed their tax returns and refused to return the clients' calls. The Vice Chairman authorized the Assistant Attorney General to send a letter requesting resolutions to the clients' complaints. Subsequently, both clients have notified the Board that the tax returns were prepared and given to them for filing. The Vice Chairman recommends the file be closed; however, since there have been three complaints against this registrant, filed within the last year with the same allegations, any further similar complaints against this individual will result in formal charges.

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"

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

Case No. 1565 Case Nos. 1572-1 et seq.

> Engelbach moved to dismiss Case No. 1502 and Case No. 1505; Volturo second. Affirmative votes: Nickles, Dugger, St. John, Engelbach, Johnson, Volturo and Gray.
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> Engelbach moved that these files noted on 8b-1 & 8b-2 of the agenda be closed; Nickles second. Affirmative votes: Nickles, Dugger, St. John, Engelbach, Johnson, Volturo and Gray.
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> Engelbach moved that Case No. 1565 and Case Nos. 1572-1 et seq. be assigned to the Administrative Law Judge; St. John second. Affirmative votes: Nickles, Dugger, St. John, Engelbach, Johnson, Volturo and Gray.

Act on Proposed Contract for Jim Denton, CPA as an investigator for the Board: Executive Director Steele addressed the need for a new investigator. Chairman Johnson noted that Mr. Denton has expertise in governmental accounting and the Yellow Book requirements. Mr. Dugger asked if Mr. Denton and the firm with which he is employed were appropriately registered with the Board. Ms. Steele responded in the affirmative.

> Volturo moved to approve the contract as presented; Dugger second. Affirmative votes: Nickles, Dugger, St. John, Engelbach, Johnson, Volturo and Gray.

Note and Discuss Results of the Review and Evaluation of the Oklahoma Examination Sites by the NASBA CPA Examination Review Board: Executive Director Steele addressed NASBA's review of the Board's examination security measures and the administration of the examination at both the Oklahoma City and Tulsa sites during the May examination. She referenced the letter sent to the Board by the NASBA Examination Review Board expressing concern with certain proctors at the examination. She explained that she had drafted a response to the letter and offered to distribute it to the Board. Chairman Johnson noted that the Board was aware of the situation the NASBA reviewer addressed in the letter and added that the proctors in question were not in direct contact with the examination or the individual examinees.

Mr. Nickles raised the question of security processes at the testing centers regarding the upcoming computer based examination. Ms. Steele explained that Board members and staff are allowed to visit the testing centers and observe the examination in progress but are not allowed to go into the room where the testers are taking the examination. NASBA President Costello commented that surprise visits by Board members and staff are permitted, provided that an approved list is submitted in advance. He added that NASBA's Examination Review Board (ERB) will also be conducting surprise visits on behalf of the states. Chairman Johnson remarked that his experiences of taking professional exams at the center had been favorable.

Discuss and Act on Appeals Filed by Joey Johnston and Rachel Capers of the Denial of the Examination Applications Received After the Statutory Filing Deadline: Assistant Attorney General Kinney referenced Oklahoma Statute Title 59 Section 15.10C. The Executive Director explained the staff's procedures of opening the mail. She stated that no mail goes unopened and that all applications are date stamped on the date of receipt by the Board office. She recommended that these appeals be denied based on the statutory requirement. She noted that both applicants had the opportunity to apply online.

> Dugger moved that based on evidence the Executive Director provided and the statute, the Board has no statutory leeway but to deny these appeals; Nickles second. Affirmative votes: Nickles, Dugger, St. John, Engelbach, Johnson, Volturo and Gray.

Discuss and Act on Proposed NASBA Bylaw Changes: Executive Director Steele stated that these changes will be voted on at NASBA's annual meeting next month and added that the proposed changes were housekeeping in nature.

> Gray moved that the Board's designated delegate vote for these changes; Nickles second. Affirmative votes: Nickles, Dugger, St. John, Engelbach, Johnson, Volturo and Gray.

Discuss and Act on the Board's Designated and One Alternate Voting Representative at the NASBA Annual Meeting: Chairman Johnson noted that the Board's Vice Chairman and the Board's public member did not plan to attend.

> Dugger moved that the Chairman of the Oklahoma Accountancy Board be the voting delegate and that the Secretary of the Oklahoma Accountancy Board, Mr. St. John be the alternate; Nickles second. Affirmative votes: Nickles, Dugger, St. John, Engelbach, Johnson, Volturo and Gray.

Discuss and Act on IT Director's Report on Proposed Phase II Development of the Board's Portal System: The Board's IT Director Jim Shepherd presented his report. Chairman Johnson noted that NIC went through a competitive bidding process in order to become the vendor selected by the Office of State Finance to manage the state's website. He added that the Board was not required to use NIC. Mr. Shepherd stated

that the Board has proprietary rights as an agency of the state. He reported on the changes on the portal system being implemented in Phase II and that proposed completion and launch for these changes is January 1, 2004. He attributed the reduction in costs from the original draft Phase II proposal to the removal of the reinstatement application process and that some of the items originally included in Phase II were more of a maintenance nature and were moved to the maintenance agreement of the contract. He addressed the breakdown in costs per development module. Chairman Johnson explained that the Director of the Information Services Division of the Office of State Finance still has the final review and approval of this contract and its pricing. Mr. Dugger suggested a report be presented of projected costs and anticipated changes in the future of the Board's portal system. Chairman Johnson directed Mr. Shepherd to provide a report for the Board's next meeting.

> Nickles moved to enter into the contract with NIC with the modified language; Dugger second. Affirmative votes: Nickles, Dugger, St. John, Engelbach, Johnson, Volturo and Gray.

Executive Director's Report: Ms. Steele reported that the Budget Request is due on October 1 and a draft has been submitted to the Budget Committee for its review. She added that there are six finalists for the Deputy Director position. She stated that there are 979 applicants for the November 2003 examination. She commented that she had received an engagement letter from the State Auditors and Inspectors Office for the FY03 audit of the Board's financial statements.

Next Meeting Date Announced: The next Board Meeting is scheduled for 8:30 a.m., October 17, 2003 in Conference Room 284 at the Lincoln Office Plaza in Oklahoma City.

Certificates Cancelled by Registrant's Request: **CPAs:** William E. Boyer, Certificate No. 3056, issued January 28, 1974 (retired)

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

Applications for Reciprocal Certificates:

Hedin E. Daubenspeck
Sarah Horton
Cheryl Renee Watkins

Application for Substantial Equivalency:

Tracy D. Benda (Texas)

Applications for Reinstatement of CPA Certificates:

11777	Cassie Dawn Farr
12208	Mun Sun Chang

Initial Registrations of CPA Professional Corporations:

Dana T. Smith-CPA, PC
Eric Richardson CPA, P.C.
Jeffrey S. Mann & Company, PC

Initial Registation of a CPA Professional Limited Liability Company:

Hart & Merchant, CPAs, PLLC

Adjournment: There being no further business to come before the Board, at 11:30 a.m. Chairman Johnson adjourned the meeting.

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Carlos E. Johnson, Chairman

ATTEST:

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E. B. St. John, Secretary

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