

OKLAHOMA ACCOUNTANCY BOARD
MINUTES OF MEETING AND HEARINGS

November 22, 2002

The Oklahoma Accountancy Board convened in regular session on Friday, November 22, 2002 in Suite 284, 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. Daryl Hill and Rusty Hale represented the Oklahoma Society of CPAs. Jim Nolen, Lee Weeden, and Peggy Johnson represented the Oklahoma Society of Accountants. Rick Chamberlain, Special Prosecutor; Rodney Watson and Tracy Martinez, Attorneys; Harold Russell, CPA and former Board Member; Allen M. Hart, CPA, and Randy Smith, CPA, were also present for relevant segments of the meeting.

Call To Order: At 8:40 a.m. Chairman Honea called the meeting to order and declared a quorum present.

Consent Agenda: The Consent Agenda contained 5 items for the Board's consideration: (1) Approve the minutes of the October 18, 2002 Board and November 15, 2002 Board meetings; (2) Authorize appropriate staff, legal counsel and Board members to attend NASBA Administrators Conference, CPE Conference and Legal Counsel Conference, which are being held concurrently in San Antonio Texas, February 9-12, 2003; (3) Authorize Deputy Director and Board Member(s) to travel to visit with North Carolina's board members, personnel and counsel regarding implementation of the computer based examination with expenditures as necessary; (4) Authorize the purchase of a new coffeemaker at \$282 and service cart for \$188; and (5) Take official notice of the files acted on by the Deputy Director since the previous meeting.

Nickles moved to accept Consent Agenda; St. John second.
Unanimous affirmative vote.

Report from the Emergency Rules Committee: Chairman Honea postponed discussion of this item until the December Board meeting due to late developments related to substantial equivalency. He requested the Board members express their comments about the proposed rules regarding substantial equivalency in writing for distribution to all Board members by December 2. He suggested the Board members send their written comments via FAX for purposes of receiving confirmation and send a copy to the Board office as well.

Report from the Regulatory Structure and Legislation Committee: Secretary Nickles reported that his committee met and that three issues were resolved but that one committee member wanted to revisit one of these issues. He explained that the committee hoped to present proposed language to the Board at its December meeting for discussion and modification. Chairman Honea stated that the committee's directive was broad-based and that the committee should consider any issues that might be a matter of public interest. Secretary Nickles invited comments from other Board members on other issues which might need to be addressed. He added that the issues of non-CPA ownership, registration of the non-licensed, and peer review had already been addressed. Chairman Honea suggested that the committee be open to considering recommendations regarding the 150-hour rule, substantial equivalency, and the one-year experience requirement.

Discuss CPA Certificates and PA Licenses: Chairman Honea advised that he had received a phone call from Gary Parker from Moffitt, Parker and Company, Inc. from Muskogee expressing displeasure with the appearance of the certificates. Chairman Honea presented a comparison to the Board between his CPA certificate and the CPA certificates currently issued by the Board. He said that he had contacted Gary Parker and invited him to comment specifically on the features of the certificate that were not to his liking. Mr. Parker's daughter complained that the certificates rendered the appearance of being printed on a computer with the absence of the clouds, the archaic wording, and the shadowed letters.

Chairman Honea stated that he and the Board office received phone calls from Senator Ben Robinson of Muskogee about this issue. In his conversation with the Senator, Chairman Honea explained that the current certificate issuance process is more efficient, cost-effective, and more secure than the previous certificate production system. He asked the Senator what cost parameters he thought would be considered appropriate to improve the quality of the CPA certificates. Chairman Honea said that when he asked the Senator if a one-time amount of \$10,000 would be appropriate to spend on improving the appearance of the the CPA certificates in light of recent budget concerns, Senator Robinson replied that would not be appropriate. Senator Robinson suggested that an additional per certificate cost of \$10 to \$15 would be appropriate. Chairman Honea suggested the staff look into methods and the cost of altering the current certificate appearance.

Mr. Johnson suggested asking the Chairman of the Board at the time the new certificates were adopted to speak since he was present. Mr. Russell stated that the certificates looked out of fashion with their antiquated wording and that it was the Board's intent to make the new computer-generated certificates more contemporary and easily readable as well as eliminate the problem of faded signatures.

Chairman Honea noted that since the inception of the new certificates there had been only one other complaint. Mr. St. John suggested eliciting feedback from recent honorees who have received these certificates rather than judging this issue based on a single complaint. Secretary Nickles asked if the certificate graphic program allowed for modifications, such as the addition of shading. Deputy Director Steele proposed consulting with a graphic artist to change the masthead.

Report on November 2002 CPA/PA Examination: Deputy Director Steele reported the problems encountered at the Tulsa examination site with the tables provided for the candidates. She stated that the Tulsa Expo Center had been informed of the Board's needs for quality tables, but that the tables provided for the examination were sub-standard. She explained that a company had to be contacted and arrangements made for more adequate tables but these were of no better quality than the tables provided by the Expo Center. She reported that the only problem encountered at the Oklahoma City examination site was that the metal detectors malfunctioned one morning and the wands had to be used instead.

Report on the FARB Attorney Certification Seminar: Deputy Director Steele reported that she had learned of a federal law that prohibits the issuance of a professional license to an individual who is not in the United States legally. She explained that the question regarding U.S. citizenship on the examination application had been included for the purpose of determining residence but has since been removed. She solicited the Board's input as to whether the Board is prepared to go to the INS should an applicant answer no to a question addressing legal citizenship in the United States. She proposed researching this federal law and how it affects the Board's application and whether or not the Board's statutes need to be changed. Chairman Honea asked if there was a way to find out if a visa is valid or if there are multiple visas. Deputy Director Steele proposed that more research needed to be done on this issue.

Assistant Attorney General Kinney reported FARB's recommendations with regard to the application and disqualification process. He cited the example of the Board's required criminal background checks and suggested the need for them to be conducted earlier in the application process. Vice Chairman Dugger reported from the FARB meeting regarding enforcement issues. With regard to Consent Orders and Administrative Consent Orders, he proposed implementing a checklist in the deliberation process so that orders are consistent with prior actions.

Chairman Honea reported on the continuing education issues addressed at the FARB meeting. He commented that there will likely be a more restrictive system in the future on courses where instruction is not face-to-face since there is a question as to whether the person getting the credit is actually the person taking the course.

Hearing in Case No. 1466 – Monty F. Rainwater, CPA: This matter came on for hearing at 9:14 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. Rainwater was not present but was represented by counsel. The purpose of the hearing was to review the appeal of costs and fees assessed as filed by the Respondent's attorney and as remanded by the District Court of Oklahoma County, State of Oklahoma in Case Number: CJ-2001-8391.

Since Chairman Honea had been Vice Chairman at the time this matter was initially heard by the Board, Respondent's attorney, Rodney Watson, requested that Chairman Honea recuse himself. Chairman Honea accepted the recusal and Vice Chairman Dugger presided over the proceedings.

Chairman Honea left the hearing at 9:17 a.m.

No witnesses were called by the state or by the Respondent.

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

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

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

Timmons moved that in this matter, the cost of \$8875.00 be assessed against the Respondent, consisting of \$12,375.00 in cost and expenses submitted previously by the Special Prosecutor at this hearing but reduced by the following amounts: \$900.00 in certain costs attributable to the deposition of Michael Crawford; \$375.00 in costs contributable to the release of documents to the press; and the remaining \$2,225.00 attributable to Respondent's cost of appeal; Nickles second. Affirmative votes: St. John, Engelbach, Nickles, Dugger and Timmons. Abstained: Johnson.

Johnson moved to adjourn the hearing; Engelbach second. Unanimous affirmative vote.

Hearing adjourned at 10:55 a.m.

The proceedings and the individual votes of the members were conducted in open session and were recorded by a court reporting service. The evidence is contained in Docket File No. 1466.

Hearing in Case No. 1514 – John A. Simmons, PA: This matter came on for hearing at 10:55 a.m. The members of the Board present were seated on the hearing panel. Assistant Attorney General John Crittenden represented the Board. Assistant Attorney General David Kinney represented the State. Respondent was not present and was not represented by counsel. Chairman Honea asked if there were any pending motions in this matter. Mr. Kinney, Special Prosecutor for the Board, replied that on November 15, the Respondent through his attorney filed an entry of appearance and a request for a

motion of continuance due to the Respondent being in the hospital. Special Prosecutor Kinney added that he is in negotiations with the Respondent's attorney and expects to have a Consent Order to present to the Board at its next meeting on December 13. Chairman Honea granted the continuance.

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

File No. 237 – Service and More

This company is listed in the Broken Arrow Yellow Pages under the heading "Accountants". A Cease and Desist letter was sent to the company by the Special Prosecutor. Mr. Sam Burrus responded that he was unaware that he had violated the Oklahoma Accountancy Act and sent a letter to the telephone company instructing them to remove his listing from "Accountants". His response satisfied the Vice Chairman and he recommends the file be closed.

File No. 254 - Accurate Accounting

This company is listed in the Stillwater Yellow Pages under the heading "Accountants – Certified Public". A Cease and Desist letter was sent to the company by the Special Prosecutor. Ms. Donna Snead responded that she was unaware that the company would be listed under this heading in violation of the Oklahoma Accountancy Act and sent a letter to the telephone company instructing them to remove this listing. Her response satisfied the Vice Chairman and he recommends the file be closed.

File No. 255 – Frankie Peterson

This company is listed in the Stillwater Yellow Pages under the heading "Accountants – Public". A Cease and Desist letter was sent to the company by the Special Prosecutor. Ms. Peterson responded that she was unaware that the company would be listed under this heading in violation of the Oklahoma Accountancy Act and sent a letter to the telephone company instructing them to remove this listing. Her response satisfied the Vice Chairman and he recommends the file be closed.

File No. 1027 – Tom Petty, CPA

A complaint was received that Mr. Petty failed to timely file an income tax return for a client. The Deputy Director, in an attempt to locate the registrant, obtained information that he had sold his practice to another accounting firm. The successor firm is working with the client to bring them into tax compliance. This resolution satisfied the Vice Chairman and he recommends the file be closed.

Dugger moved these investigative files be closed; Johnson second. Unanimous affirmative vote.

Act on Proposed Policy Requiring Social Security Numbers of All Registrants:

Deputy Director Steele reported that the FARB meeting addressed the federal law requiring state agencies to maintain social security numbers on its databases. Chairman Honea asked if that requirement applied to new registrants or all registrants. Deputy Director Steele explained that the statutes of the Oklahoma Tax Commission and Student Loan Authority specifically require state agencies to maintain a list of social security numbers for all their registrants. Chairman Honea asked if the social security number is part of a registrant's public record. Deputy Director Steele replied that it is not.

Mr. Russell requested that there be provisions to make these numbers confidential. Assistant Attorney General Crittenden commented that since this is a statutory issue, given the promulgated rules by the Oklahoma Tax Commission, the Board must comply.

Mr. Engelbach posed the issue of how to obtain social security numbers from the registrants for whom the Board has no such numbers. Mr. Johnson proposed making it an item on the Registration form. Secretary Nickles asked if the requirement needs to be a part of the Board's law. Assistant Attorney General Crittenden replied that it does not. Deputy Director Steele explained that when a member of the public requests to see a registrant's file, grades, college transcripts and any documents referencing social security numbers are purged from the file.

Nickles moved to require all registrants provide the Board with social security numbers by June 30; Johnson second. Engelbach offered the amendment to cite the federal law requiring social security numbers be provided; Nickles and Johnson both accepted the amendment. Unanimous affirmative vote.

Discussion of Board officers' and Board members' responsibilities, duties and authority:

Mr. Johnson requested the Chairman appoint a committee to review the Board's policies and procedures relating to Board officers' and members' responsibilities. Mr. Engelbach raised the question of whether the committee should be composed of Board members. Mr. Johnson suggested that the committee not be composed of officers of the Board.

Johnson moved the Board appoint a committee to review the Board's policies and procedures relating to Board officers' and Board members' responsibilities, duties, and their authority and report back to the Board with recommendations as to what is appropriate in accordance with the Board's statutes; Nickles second. Johnson offered the amendment "a representative committee" of the Board; Nickles accepted. Unanimous affirmative vote.

Discussion and Action Regarding Executive Director Position: Chairman Honea asked for a motion to go into Executive Session.

Dugger moved to go into Executive Session; Engelbach second. Unanimous affirmative vote.

Johnson moved to come out of Executive Session; Dugger second. Unanimous affirmative vote.

Chairman Honea noted for the record that during deliberation the Board took no votes or other official action as that term is defined in the Open Meeting Act.

Nickles moved that the Board hire Edith Steele to be the Executive Director on a permanent basis and that her temporary salary be permanent; Johnson offered the amendment to offer her the position; Nickles accepted the amendment; Johnson second. Unanimous affirmative vote.

Report on the Status of the Portal Development: Jim Shepherd, the Board's IT Director, explained that portal development was underway and that there would likely be meetings on a weekly basis between him and the portal development team until the launch date. He stated that the launch date of February 1, 2003 may be delayed due to developmental issues.

He addressed the problems encountered by the portal development team with the replication of the database and the potential duplication of file numbers between an individual applying online and an individual applying simultaneously at the Board office, which would lead to staff difficulties in reconciling the computer database. He explained that the portal development team had proposed making the Board's database available on a limited basis through a secure connection behind the State's firewall to protect the data and eliminate duplication problems. He added that PIN numbers would be provided to registrants in order for them to access their record to renew their information online.

He stated that PIN numbers, social security numbers, credit card numbers and birthdates will not be able to be viewed by an outside source. He stressed that the online application and the paper application must match for purposes of consistency. He proposed that the Board consider either expanding the database to include all information on the application or reduce the amount of information asked for on the paper forms.

He addressed the issue of original signatures and defining an electronic signature that the Board can accept. He added that the decision of format had been left up to the state agencies. Mr. Johnson asked about the format. Mr. Shepherd replied that the user can type in his/her name and press the continue button or merely click the continue button to use the e-signature.

Chairman Honea addressed the issue of PIN number assignment. Mr. Shepherd explained that the PIN numbers can be made to be user definable and that by having a 6-digit PIN number, there are approximately a million combinations. Secretary Nickles asked if the PIN number could be alpha-numeric. Chairman Honea suggested providing PIN numbers in both alpha-numeric and numeric only. Mr. Johnson recommended appointing a committee to evaluate these issues.

Mr. Shepherd explained that with the implementation of the computerized examination, additional information not currently tracked, such as mother's maiden name and digital photographs taken on-site at the examination will have to be added to the Board's database. Mr. Johnson asked about the launch date in relation to registration. Mr.

Shepherd replied that testing will be completed by May and that the portal will have been through 30 days of testing before going live. He added that he and the portal development team were still hoping for a February launch date for purposes of examination application filing.

Discuss Request from FASB to Comment on Rules vs. Principles Based

Standards: Chairman Honea reported that FASB was considering a departure from being rules-based in its standard pronouncements to being principles-based in an effort to make United States and international standards the same. He stated that the International Accounting Standards Board was traditionally principles-based. He explained that FASB requested comments on a paper the organization produced about whether it should be rules-based or principles-based or a hybrid. He proposed that the Board respond in writing to the organization's paper and that a committee be appointed to produce recommendations for adoption at the December Board meeting. He suggested an educator from the University of Tulsa with a knowledge of the pronouncements to serve as a consultant to the committee if not appointed as a full member of the committee.

Johnson moved for the Chairman to appoint a committee;
Engelbach second. Unanimous affirmative vote.

Next Meeting Date Announced: The next Board Meeting is scheduled for 8:30 a.m. December 13 in Suite 284, 4545 N. Lincoln Boulevard, Oklahoma City.

November 2002 Examination Administered: On November 6, 2002, the Oklahoma Accountancy Board commenced the 160th examination of candidates for the CPA certificate and PA license in Oklahoma City and Tulsa. Official attendance lists reflecting the 853 candidates who sat for the CPA examination are on file in the Board office. Such lists include all candidates who were approved for this examination, even those who did not sit. In addition to its own candidates, the Board examined 18 candidates for other states.

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 Certificates:

15516-R	Charles Allan Albert
15517-R	Joseph B. Barnes
15518-R	Debora Ann Broyles
15519-R	Kurt Bush
15520-R	Kathy Arden Cole
15521-R	Bobby Lee Henry
15522-R	Dennis K. Lavin

Applications for Reinstatement of CPA Certificates:

2571	Robert Deryl Stevenson
2846	John L. Heiny
13216	Bill E. Williams
13501	Debra Diane Hendrickson

Initial Registrations of CPA Professional Corporations:

Hunter & Gibbins, P.C.
Michael J. Romero, Certified Public Accountant, P.C.
MSI Barnes & Associates, P.A.
White & Co. CPA's-P.C.

Adjournment: There being no further business to come before the Board, at 12:10 p.m. Chairman Honea called for a motion to adjourn.

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

Archer M. Honea, Chairman

ATTEST:

James A. Nickles, Secretary

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