OKLAHOMA ACCOUNTANCY BOARD

MINUTES OF MEETING

November 19, 2004

The Oklahoma Accountancy Board (OAB) convened in regular session on Friday, November 19, 2004 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 OAB's office in compliance with the Open Meeting Act. A tape recording of the meeting is on file in the OAB office. Members present at the meeting:

Carlos E. Johnson, CPA, Chairman
J.H. Jay Engelbach, CPA, Vice Chairman
E.B. St. John, PA, Secretary
Tom Volturo, Representing the Public
James A. Nickles, CPA, Member
Janice L. Gray, CPA, Member
Vicky Petete, CPA, Member

In attendance at the meeting: Edith Steele, Executive Director and Kelly Brown, Deputy Director; Jim Shepherd and Donita Graves, OAB staff members; David Kinney, Assistant Attorney General; Daryl Hill and Rusty Hale represented the Oklahoma Society of CPAs; Dean Taylor represented the Oklahoma Society of Accountants; Mike Starchman from the State Auditor's Office; and Gary Collins from the House of Representatives.

Call To Order: At 8:38 a.m. Chairman Johnson called the meeting to order and declared a quorum present. He noted that Member Gray would arrive late. At the Chairman's request, Executive Director Steele read the names of the visitors present.

Public Comment Period: Chairman Johnson recognized Dean Taylor, representing the Oklahoma Society of Accountants (OSA). Mr. Taylor addressed his concern regarding qualifying subject matter for a CPE course, specifically a regional seminar conducted by the Oklahoma Society of CPAs (OSCPA) titled, "Grassroots Lobbying Training" which is recommended for 3.5 hours of CPE credit. He expressed further concern about whether such a course benefits the clients of the OAB's registrants and the public. He urged the OAB to evaluate this seminar's subject matter and disallow this course as CPE. Mr. Taylor distributed copies of his comments to the OAB members.

Consent Agenda: The Consent Agenda contained 2 items for the OAB's consideration: (1) Approve the minutes of the October 29, 2004 Board Meeting; and (2) Ratify actions taken by the Executive Director on applications and registrations filed since the previous meeting.

Member Volturo suggested a change in the minutes with regard to his making an amendment at the August 27, 2004 meeting on the discussion item related to the minutes format. Member Nickles noted that he had a change to the minutes from the October 29, 2004 meeting. He asked the Assistant Attorney General that if such a change is substantive could the approval of the October 29 minutes be revisited at the next OAB meeting. Assistant Attorney General Kinney responded in the affirmative.

> St. John moved to accept the Consent Agenda with amendments noted; Petete second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, and Nickles. Volturo abstained from voting on the minutes since he was not present at the October 29, 2004 meeting.

Consideration and Vote to Authorize FY 2005 Travel to Various Meetings Benefiting the OAB and the public of Oklahoma for OAB Members, Appropriate Staff Members and Appropriate Individuals on Contract Status Except for the Attendance at any June Meeting by an Outgoing OAB Member Unless Specifically Approved by the OAB: Executive Director Steele offered as a point of clarification that the period of authorized travel is for the remainder of FY 2005 from January 1 to June 30, 2005. Member Nickles maintained that outgoing OAB members attending such conferences can make substantial contributions to the conference attendees and to the profession as a whole, citing the example of the NASBA meeting held in June. Secretary St. John concurred.

Chairman Johnson expressed concern that outgoing OAB members taking an extensive amount of travel in the last three months of their term could make the OAB subject to adverse publicity. He stated that the OAB's current travel policy is in the best interest of Oklahoma. Member Volturo maintained that such a restriction on outgoing OAB member travel is not inappropriate and that the current policy should be more restrictive. Member Nickles commented that OAB members are professionals and can determine themselves which meetings are appropriate to attend.

> Engelbach moved to approve the authorization as outlined in Item 7 on the agenda for FY 2005; Volturo second. Affirmative votes: Petete, Volturo, Johnson and Engelbach. Negative vote: Nickles. Abstained: St. John. Motion passed.

Establish the Board Meeting Schedule for Calendar Year 2005: The June meeting was rescheduled from June 17 to June 29, 2005 due to the dates of both the NASBA Eastern and Western Regional Meetings. (Appendix 1)

> Nickles moved to approve the proposed meeting schedule as amended; Volturo second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John and Nickles.

Report from Assistant Attorney General Kinney Concerning the PCAOB Acknowledgement and Agreement: Assistant Attorney General Kinney referenced the memorandum he wrote analyzing the agreement utilizing the risk and reward model. He summarized that under the 2002 Sarbanes-Oxley Act, the PCAOB will provide the OAB certain information that will be confidential but for purposes of the OAB's Enforcement Committee, such information might be beneficial. He recommended the OAB sign the agreement.

Member Nickles asked whether such confidential information could be discussed in Executive Session during the deliberation process. Mr. Kinney replied that it could not. Chairman Johnson commented that if the same information were discovered through another source other than the PCAOB, that information could be used by the OAB. Vice Chairman Engelbach expressed concern that the burden of proof would be on the OAB in such a situation. Chairman Johnson stated that the information would be confidential for a period of 12 months and after such time, it would become public information. He added that signing the agreement with the PCAOB would be advantageous in protecting the public.

Member Volturo noted that keeping such information confidential might lead to additional legal defense costs incurred by the OAB if an outside party were to contest its confidentiality. Mr. Kinney commented that based on his experience in such situations, the federal agency usually defends the case.

Member Nickles asked if there were any ramifications if the OAB did not sign the agreement. Mr. Kinney replied that the PCAOB would provide the OAB with the public information only and not the confidential non-public information.

Secretary St. John expressed concern with regard to paragraph 3 of the agreement and raised the issue of whether federal law will protect the OAB from violating state law. Mr. Kinney explained that the OAB probably would not be in this position of violating state law under the current Oklahoma Accountancy Act and the Open Records Act.

Member Nickles commented that the PCAOB's agreement protected the firms and not the public. Chairman Johnson noted that the OAB could sign the agreement and at a later time if the OAB found it could not comply with the PCAOB's agreement, the OAB could submit a letter to the PCAOB rescinding the OAB's action. Vice Chairman Engelbach explained that as Vice Chairman of the OAB, he and the member of the Enforcement Committee would be inclined to recuse themselves in every hearing involving a PCAOB report.

Chairman Johnson recommended deferring this item until further research can be conducted. The Board concurred.

Member Gray arrived at the meeting at 9:48 a.m.

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

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Case No. 1586 - Non-Registrant

A formal complaint was filed that the company was being held out in a local business newspaper under the category "Certified Public Accountants. The Respondent answered with evidence that he did not authorize this listing and that it was a mistake by the publishers of the newspaper. His response satisfied the Enforcement Committee so they recommend this case be closed.

File No. 1048 - Former Registrant

This file originally began as an unregistered firm matter. However, subsequent to the resolution of the unregistered firm, the registrant's certificate was suspended for failure to obtain a permit to practice public accounting. After the suspension, the file was re-opened by authority of the Enforcement Committee since the former registrant and unregistered firm continued to hold out under the Certified Public Accountant listings in telephone directories. A recent search of the telephone directories indicates that he no longer is listed under the "Accountants--Certified Public" category so the Enforcement Committee recommends this file be closed.

File No. 1063 - Non-Registrant

A complaint was filed that a New Mexico firm was performing an audit of an Oklahoma client without properly registering or applying under the Substantial Equivalency notification process. The Enforcement Committee authorized the Assistant Attorney General to issue a Cease and Desist letter by certified mail. The certified letter was returned by the US Postal Service as undeliverable. The Assistant Attorney General has attempted by several means to locate the individual listed as the principal partner or the firm but was unsuccessful. He did learn, however, that the registrant's New Mexico license is expired. The Enforcement Committee recommends that this file be closed with the option to re-open it should the firm issue another audit for an Oklahoma client or is located.

File No. 1073 - Non-Registrant

A complaint was filed that this individual was holding out and practicing public accounting in Oklahoma without properly registering or applying under the Substantial Equivalency notification process. The Enforcement Committee authorized the Assistant Attorney General to issue a Cease and Desist letter by certified mail. The individual responded that she was not practicing public accounting and provided evidence that she had removed "CPA" from her business cards. Her response satisfied the Enforcement Committee so they recommend the file be closed.

File No. 1075 - Firm

A complaint was filed that the firm issued an audit and later reissued the report with a dual date. The Enforcement Committee authorized an investigator to be assigned to this complaint. The investigator issued his report which states, in part, "However, because of the circumstances involved and the professional judgment differences that

could exist my personal opinion is that a violation of professional standards or ethical standards has not occurred in this instance". The Enforcement Committee recommends this file be closed.

File Nos. 1080-5 and 1080-7 - Registrants

Investigations were opened as to whether these registrants were practicing public accounting without permits to practice in connection with their employer. As authorized by the Enforcement Committee, letters were sent by the Assistant Attorney General requesting verification of employment through the information listed on W-2 forms. It was established that these individuals were not practicing public accounting, so the Enforcement Committee recommends these files be closed.

File No. 1109 - Registrant

A complaint was filed that the registrant refused to return client records, specifically, tax return information such as depreciation schedules. As authorized by the Enforcement Committee a letter was sent to the registrant requesting that he return the requested documents to his former client. The registrant responded that he, because of the nature of the former client's business, did not prepare any depreciation schedules and that he no longer had any records of this client since he had not prepared any tax returns for the client since 2001. His response satisfied the Enforcement Committee so they recommend the file be closed.

File No. 1110 - Non-Registrant

A complaint was filed that the individual was holding out as a "CPA" in radio advertisements. The Enforcement Committee authorized the Assistant Attorney General to issue a Cease and Desist letter by certified mail. The certified mail was returned by the US Postal Service as "unclaimed"; however, the individual removed any reference to CPA in subsequent radio advertisements. This satisfied the Enforcement Committee so they recommend the file be closed but reopened should the individual hold out as a CPA in the future.

File No. 1113 - Unregistered Firm

A registrant reported to the OAB that he was practicing public accounting under a firm name which was not registered. The firm was notified that the Oklahoma Accountancy Act requires firm registration and permit. After unsuccessful attempts by staff to resolve the firm registration, the Enforcement Committee authorized a Cease and Desist letter by certified mail. The registrant has notified the OAB that he is no longer employed by the firm, so the Enforcement Committee recommends that the file be closed.

Engelbach moved to close Case No. 1586; Petete second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles and Gray.

> Engelbach moved to close File Nos. 1048, 1063, 1073, 1075, 1080-5, 1080-7, 1109, 1110 and 1113; Nickles second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles and Gray.

Discuss and Act on the Proposed Emergency Rule Amendments to Title 10 Oklahoma Administrative Code: Executive Director Steele explained that the proposed emergency rules address areas within the rules affected by SB 1488 which became effective November 1, 2004. She stated that the emergency rules, if approved by the Governor, will only be valid through July 14, 2005. She noted that there had not been a public comment period for these proposed emergency rules but these emergency rules will be a part of the proposed permanent rules and will be subject to the public comment period at that time. Chairman Johnson stated that the OAB's Rules Committee considered comments made by Members Nickles, Gray and Petete.

Member Nickles distributed a memorandum on his position that a new CPA should not be required to earn 40 hours of CPE. Mr. Kinney explained that a new CPA could report college accounting courses or CPA Review courses if such courses were taken within the CPE reporting periods. Chairman Johnson noted that this rule will become void on January 1, 2006 when all certificate and license holders, unless exempt, are required to report CPE.

Member Gray expressed concern with staff accountants who pass the CPA Examination not having 40 hours of CPE if they were employed with a firm which does not pay for their CPE.

Chairman Johnson maintained that the purpose of the CPE requirement for the new CPAs is to protect the public and to better prepare the new CPA to serve the public. He explained that the required 8-hour AICPA Ethics Examination course could count as part of the new registrant's 40-hour CPE requirement. He added that the CPE Committee could consider accepting individual study if properly outlined by the new CPA.

Member Gray suggested making the verbiage consistent in 10:15-29-3(b) (CPE Compliance period for new CPAs and PAs) and 10:15-29-5(c) (Reciprocity). She added changing the verbiage "after July 1, 2005" to "before July 1, 2005" in 10:15-33-4.1 (Enrollment and Participation) with regard to Peer Review.

> Volturo moved to approve emergency rules as submitted and amended in Agenda Item 5; Engelbach second. Affirmative votes: Petete, Volturo, Johnson, Engelbach, St. John, Nickles and Gray.

Director's Report: Executive Director Steele reported that fieldwork on the OAB's financial audit has been completed and the auditors' report should be available by the December OAB meeting. She explained that she could not put the OAB's acknowledgement of the official signed report from NASBA's Examination Review

Board on this meeting's agenda due to her not receiving it in time. She confirmed that it will be on the agenda for the next OAB meeting. She commented that Window 3 of the CBT Examination ends on November 30, 2004 and Window 4 will begin on January 1, 2005.

Chairman's Report: Chairman Johnson reported that the Presentation Ceremony Committee had met. He commented that the committee will try to meet and have a report at the December OAB meeting. As a result of Mr. Taylor's comments earlier in the meeting, Chairman Johnson directed the CPE Committee to prepare a report to present at the December OAB meeting with regard to the CPE course in question.

Next Meeting Date Announced: The next OAB Meeting is scheduled for 8:00 a.m., December 17, 2004 in Conference Room 284 at the Lincoln Office Plaza in Oklahoma City.

Certificate Cancelled by Registrant's Request: **CPA:** Norman Blake Vickers, Certificate No. 15355-R issued January 25, 2002. **(Reason for Cancellation: Relocating out of state; no longer practicing in Oklahoma).**

Dissolved Firm: **CPA Professional Limited Liability Company:** Follmer Rudzewicz PLC.

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 Reciprocal Certificates:

15995-R Ana Elizabeth Molina
15996-R Kimberly R. Wedel

Applications for Substantial Equivalency (Based on State SE Recognition):

Joshua John Masters (Arkansas)
Randolph David Minatra, Jr. (Texas)
Lesley McMinn Saenz (Texas)
Roger Kent Smith (Iowa)

Application for Reinstatement of a CPA Certificate:

14472 Krista K. Batt

Initial Registrations of CPA Limited Liability Partnerships:

Deloitte Financial Advisory Services LLP (Delaware)
UHY LLP (New York)

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Initial Registrations of CPA Professional Corporations:

Brady, Martz & Associates, P.C.
Egghart & Associates, A Professional Corporation
The Hulsey Group, PC

Initial Registrations of CPA Professional Limited Liability Companies:

Anne Stribling, CPA PLLC
Mark O. Neumeister, CPA, PLLC
Melissa Nation CPA, PLLC

Adjournment: There being no further business to come before the OAB, at 10:30 a.m. Chairman Johnson called for a motion to adjourn.

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

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Carlos E. Johnson, Chairman

ATTEST:

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E. B. St. John, Secretary

APPENDIX 1

SCHEDULE OF EVENTS AND MEETING SCHEDULE FOR 2005

Date	Event
January 17	OAB office closed - Holiday (MLK Day)
Friday, January 21	**OAB meeting**
February 4 - 6	FARB Annual Forum - Scottsdale
Friday, February 18	**OAB Meeting**
February 21	OAB office closed - Holiday (President's Day)
February 25	Proposed Permanent Rules Hearing
Friday, March 18	**OAB Meeting [Rules Adoption]**
March 20 - 23 CPE	NASBA Legal Counsel, Executive Directors and Conferences - New Orleans
Friday, April 22	**OAB Meeting**
Friday, May 20	**OAB Meeting**
May 30	OAB office closed - Holiday (Memorial Day)
June 15 - 17	NASBA Eastern Regional Meeting - Baltimore
June 22 - 24	NASBA Western Regional Meeting - Anchorage
Wednesday, June 29	**OAB Meeting**
July 4	OAB office closed - Holiday (4th of July)
Friday, July 22	**OAB Meeting**
Friday, August 19	**OAB Meeting**
September 5	OAB office closed - Holiday (Labor Day)
Friday, September 23	**OAB Meeting**
Friday, October 28	**OAB Meeting**

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Date	**Event**
October 30 - November 2	NASBA Annual Meeting - Tucson
November 11	OAB office closed - Holiday (Veterans Day)
Friday, November 18	**OAB Meeting**
November 24 & 25	OAB office closed - Holiday (Thanksgiving)
Friday, December 16 - OAB Meeting	
December 26	OAB office closed - Holiday (Christmas)