OKLAHOMA ACCOUNTANCY BOARD

MINUTES OF MEETING

December 12, 2003

The Oklahoma Accountancy Board convened in regular session on Friday, December 12, 2003 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:

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; Paulina Coffman, Donita Graves, and Jim Shepherd, Board staff members. David Kinney, Assistant Attorney General and Special Prosecutor for the Board; Barbara Ley, CPA, represented the Oklahoma Society of CPAs. Peggy Johnson represented the Oklahoma Society of Accountants. Victoria Middleton with GIT, Inc., CNN, Gary Collins with the House of Representatives, J. Phillip Bond, and Kelly Brown, newly appointed Deputy Director, were also present for relevant segments of the meeting.

Call To Order: At 9:07 a.m. Chairman Johnson called the meeting to order and declared a quorum present. At his request, Executive Director Steele read the names of the visitors present.

Public Comment Period: Chairman Johnson asked Executive Director Steele if she had received any written requests or had been informed by any member of the public wishing to speak before the Board. She replied that she had not.

Consent Agenda: The Consent Agenda contained 3 items for the Board's consideration: (1) Approve the minutes of the October 17, 2003 and December 1, 2003 Board meetings; (2) Ratify the list of furniture and equipment surplused by the Executive Director; (3) Ratify actions taken by the Executive Director on applications and registrations filed since the previous meeting.

Gray moved to approve the Consent Agenda; Volturo second. Nickles offered the amendment to approve the Consent Agenda except for December 1, 2003 minutes of which the members not in attendance abstain from voting. Gray and Volturo accepted the amendment. Unanimous affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John, Dugger and Nickles. Abstained for the December 1, 2003 Minutes portion of the motion: Gray, 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.

Cases Recommended to be dismissed:

Case No. 1549- 21 – CPA Individual

At the October 17, 2003 meeting, The Board agreed to accept the recommendation of the Administrative Law Judge (ALJ) as a result of the permit hearing to grant the registrant's request for an extension until November 17, 2003 due to medical circumstances. The registrant has timely completed his required CPE and a permit has been issued. The Vice Chairman recommends that the case be dismissed by the Board.

Case No. 1554- 2 – CPA Individual

A registrant reported that she was an employee of an unregistered firm and practicing public accounting in Oklahoma. After no response was received to letters from the staff, the Assistant Attorney General was authorized to issue a Cease and Desist letter. Again, no response was received. The Vice Chairman authorized formal charges. Upon the filing of formal charges, respondent notified the Assistant Attorney General that she had been assured by her employer several times that he had taken care of the firm registration. She has since resigned as an employee of that firm. The Vice Chairman recommends that the case be dismissed by the Board.

Case Nos. 1572-1; 1572-4; 1572-5; 1572-6;1572-7; 1572-9; 1572-10; 1572-11 - CPA Individuals

The registrants' social security numbers were not in the Board's records as required by 42, U.S. C., 2001; § 666(a)(13), the Federal Child Support Enforcement, Title 68, O.S., 2001, § 238.1(B), Professional License Compliance Law; Title 70 O.S. 2001, § 623.1, Default of Payment of Student Loans, and O.A.C. 710:95-9-3(a), Oklahoma Tax Commission Rules on Professional Licensing Compliance. After several unsuccessful attempts by the staff requesting the registrants to furnish the numbers, the Vice Chairman authorized the Assistant Attorney General to correspond with the registrants by certified letter. When no responses were received, the Vice Chairman authorized formal charges against the registrants for failure to respond to Board correspondence as provided in 10:15-39-8(e) of the Oklahoma Administrative Code and the Board

authorized the files to be assigned to the ALJ. Respondents have now complied with the Board's request so the Vice Chairman recommends that these cases be dismissed.

Case No. 1572-13 – CPA Individual

The registrant's social security number was not in the Board's records as required by 42, U.S. C., 2001; § 666(a)(13), the Federal Child Support Enforcement, Title 68, O.S., 2001, § 238.1(B), Professional License Compliance Law; Title 70 O.S. 2001, § 623.1, Default of Payment of Student Loans, and O.A.C. 710:95-9-3(a), Oklahoma Tax Commission Rules on Professional Licensing Compliance. After several unsuccessful attempts by the staff requesting the registrant to furnish the number, the Vice Chairman authorized the Assistant Attorney General to correspond with the registrant by certified letter. When no response was received, the Vice Chairman authorized formal charges against the registrant for failure to respond to Board correspondence as provided in 10:15-39-8(e) of the Oklahoma Administrative Code and the Board authorized the file to be assigned to the ALJ. Prior to the scheduled ALJ hearing, the Respondent's CPA certification was revoked for failure to renew the registration and the Respondent tendered the resignation of his certification, so the Vice Chairman recommends that this case be dismissed.

File No. 1562 – CPA Professional Corporation

A formal disciplinary hearing was held in April 2003 which resulted in the revocation of the CPA certificate of the sole shareholder of this corporation. However, before formal charges could be brought forth for the revocation of the corporate entity, the registration of the firm was revoked for failure to renew its registration so the Vice Chairman recommends that the case be dismissed.

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. 1512	Case No. 1575
Case No. 1533	Case No. 1576
Case No. 1547	Case No. 1577

Engelbach moved to dismiss Case Nos. 1549-21, 1554-2, 1572-1, 1572-4, 1572-5, 1572-6, 1572-7, 1572-9, 1572-10, 1572-11, 1572-13, and 1562; Volturo second. Unanimous affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John, Dugger and Nickles.

> Engelbach moved to assign Case Nos. 1512, 1533, 1547, 1575, 1576, and 1577 be assigned to the Administrative Law Judge; Volturo second. Unanimous affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John, Dugger and Nickles.

Discuss and Act on Proposed Policy Regarding Agenda Items: Chairman Johnson stated that at the request of the Board's attorney this item will be deferred until the next meeting.

Discuss and Act on Proposed Amendments to the Fair Labor Standards Act Policy: Executive Director Steele addressed that she had received a request from Carol Barton, the Payroll Coordinator for the CORE project, to amend the Board's FLSA policy's weekday work schedule for the state's new payroll system. Ms. Steele added in her review of the Board's current policy on file with the Office of Personnel Management (OPM), she amended it to reflect the current staff position titles within the Board. Only Items 2 & 4 of the Fair Labor Standards Act (FLSA) policy had proposed amendments. She explained the current weekday work schedule and how it affected overtime, compensatory time and leave.

Mr. Volturo raised the question about which pay period the time can be taken. Ms. Steele responded that under OPM policy, non-exempt employees are allowed to maintain their compensatory time for a period of 180 days but exempt employees must take their compensatory time within the next pay period. Mr. Volturo asked for clarification on whether compensatory time can be taken the next week or the next month. Ms. Steele commented that OPM policy does not provide for overtime. Mr. Volturo recommended the Board's legal staff review the FLSA policy. He suggested that due to the need for further clarification on issues related to exempt and non-exempt employees, the FLSA policy be discussed further at the Board's next meeting. He asked the Chairman if it would be permissible for him to send his questions to him so that he may direct them to the appropriate parties.

> St. John moved to accept the proposed amendments to the Fair Labor Standards Act proposed by the Executive Director; Nickles second. Unanimous affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John, Dugger and Nickles.

Rules Promulgation Committee Report: Chairman Johnson reported that the committee will be meeting within the next two weeks so that the rules can be filed by January 2004. Executive Director Steele advised the Board of the upcoming deadlines in which to notify all interested parties, publish in the register and file the draft of the rules. Chairman Johnson addressed the changes included in the draft such as the incorporation of the emergency rules into the permanent rules and peer review requirements.

Sunset Review Preparation Committee Report: Chairman Johnson stated that he and Vice Chairman Engelbach had reviewed the Sunset Review Report and that it had been submitted to the legislative committee. He asked the Executive Director if she had

received any communication from the legislative committee. She replied that she had not.

Legislative Committee Report: Chairman Johnson reported that the Board's legislative committee was reviewing proposed legislation as drafted by the Executive Director and the Assistant Attorney General. He stated that Senator Fisher will be sponsoring the Board's bill. He offered to provide board members a copy of the proposed rules draft upon request. He commented that the committee would be meeting in late December and in early January in time to present its proposal to the Board.

Portal Development Report: IT Director Jim Shepherd presented his report on Phase I and Phase II of the portal development. He addressed the services provided in Phase I. He explained the services added under Phase I will include: allowing exam candidates to update their address and employment information; allowing users to change their PIN number; providing a renewal reminder to all registrants who log into the portal; and provide a downloadable file for mailing lists of candidates, registrants, and independent auditors for governmental entities.

Chairman Johnson raised the question of making the addresses of the Board's registrants available for downloading. Executive Director Steele noted that addresses of registrants are public record. Chairman Johnson suggested making available online a list of registrant names only. He recommended that in an effort to protect the Board's registrants from spam any individuals requesting a list of registrant addresses make a request to the Board and pay a fee for such information.

Ms. Gray suggested adding a caveat to the website informing the public that the Board does not endorse or recommend any of the registrants listed. Ms. Steele cited the example of the governmental auditors list and how it is perceived by the public as a list of auditors recommended by the Board. Chairman Johnson proposed including the verbiage: "The Board is not recommending or endorsing. The Board is providing the information of individuals who meet the requirements to be registered to perform governmental audits." Ms. Gray suggested including verbiage to inform users that it is the responsibility of the public to determine whether the qualifications are there.

Chairman Johnson asked about the status of Phase II. Mr. Shepherd explained that he expected to have the Substantial Equivalency form and process changes to accommodate for the computer-based examination on the website by early next year. He stated that testing of the online SE functions was being conducted prior to going live. He commented that a meeting with the Board's programmer, NASBA, the portal development team, and the staff was held in November regarding the development of new fields in the database to prepare for the launch of the computer-based examination and establish a timeline. Mr. Shepherd noted addressed other Phase II developments to include making the Board's code and rules searchable, allowing initial registration of firms, and issuing electronic permits and receipts.

Chairman Johnson recommended that future reports presented to the Board regarding portal development include year-to-date cost for Phase II, projected cost, and expected

implementation dates. He asked if there would be a Phase III. Mr. Shepherd responded in the affirmative.

Report on Texas State Board of Public Accountancy Peer Review Committee Meeting: Ms. Gray referenced the attached report and added that the Oklahoma Board's Peer Review Committee would be meeting next week to develop recommendations to present to the Board.

Case No. 1545 -- Update on Show Cause Hearing in the Matter of the Application to Reinstate the CPA Certificate of J. Phillip Bond, Revoked CPA: Assistant Attorney General and Special Prosecutor for the Board David Kinney summarized the show cause hearing held in this matter on May 16, 2003. He stated that the applicant has performed the required CPE and has amended his reinstatement application appropriately in accordance with the requirements set forth in the Board's order. He noted that the application had been reviewed by the Board's Vice Chairman, the Executive Director and the Special Prosecutor.

> Engelbach moved to reinstate the CPA certificate of J. Phillip Bond; Volturo second. Unanimous affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John, Dugger and Nickles.

Case No. 1571 – In the Matter of Barry Charles Coates, Certificate No. 15261: Assistant Attorney General and Special Prosecutor for the Board David Kinney presented an Administrative Consent Order which was agreed upon by the Respondent's attorney. The terms of the Administrative Consent Order extend the Respondent's current probation period set forth in the original Administrative Consent Order through May 2007.

> Engelbach moved to approve the Administrative Consent Order in Case No. 1571; Gray second. Unanimous affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John, Dugger and Nickles.

Discuss and Act on Professional Services Contract with the Accounting Firm of Finley & Cook, P.L.L.C. to Perform an Audit of the Board's FY 03 Financial Statements at a Cost not to Exceed $12,500: Chairman Johnson reported that due to other commitments, the State Auditor and Inspector's Office was unable to perform an audit of the Board's financial records until early summer 2004. He commented that this was not the kind of example the Accountancy Board should set for its registrants. He stated that he asked for permission from State Auditor Jeff McMahan to allow an auditing firm to audit the Board's financial statements for a two-year period. He stressed the importance that the audit of the Board's financial records be complete by the middle of January. He explained that the proposed firm was qualified to perform audits of this nature and that the firm does work for the State Auditor and Inspector's Office.

Chairman Johnson addressed the differences in cost between the State Auditor's Office and an accounting firm performing the audit. Secretary St. John asked if the Board was

bound contractually to the proposed firm for two years and if the $12,500 cost included both years. Chairman Johnson replied that the fee was not inclusive of the second year and the Board was not bound contractually to the firm. Mr. Nickles raised the issue of how the difference in cost between the State Auditor's Office and the proposed accounting firm could be justified to the public. Chairman Johnson responded that the initial cost of the State Auditor's Office to perform the audit would have increased from $10,000 due to the early implementation of SAS 99.

Mr. Dugger asked if the proposed firm would also do the MD&A report. Chairman Johnson replied that the Board has already retained Mike Crawford to provide those services and is currently in the process of drafting that report. He stated that the proposed firm could have the audit completed by January 15, 2004.

Mr. Nickles raised the question of how this firm had been selected. Chairman Johnson explained that he was provided with a list from the State Auditor's Office and in reviewing that list, no Board member, firm, or firm under current contract by the Board could perform the audit. He added that the State Auditor agreed to accept the Board's choice of an auditing firm.

Mr. Nickles asked if work had been started on the audit by the firm. Chairman Johnson replied that the firm had already begun work but that the firm understood the risk should the Board not approve the proposed engagement letter. Mr. Dugger raised the question of whether this contract complied with the Board's Internal Purchasing Policy. Chairman Johnson replied that he had checked with the Board's attorney and the Board's Certified Procurement Officer for compliance.

> Engelbach moved to approve the engagement letter with Finley & Cook PLLC for the audit for the year ending June 30, 2003; St. John second. Affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John, and Dugger. Negative vote: Nickles.

Establish the Board Meeting Schedule for Calendar Year 2004: Chairman Johnson referenced the schedule distributed to the Board and noted that it had to be filed with the Oklahoma Secretary of State in December. He proposed scheduling a Board Meeting for January 9 in order for the Board to act on the proposed rules to be timely filed with the legislature.

> Nickles moved to approve the proposed meeting schedule for the calendar year 2004 with the addition of the January 9th Board Meeting; Dugger second. Unanimous affirmative votes: Gray, Volturo, Johnson, Engelbach, St. John, Dugger and Nickles.

Chairman's Announcements: Chairman Johnson commented on recent changes impacting the accounting profession with regard to the Public Company Accounting Oversight Board (PCAOB). He explained how its inspection procedures were similar to the current peer review process. He stated that a result of the Sarbanes-Oxley Act will

be two assessment processes and two sets of auditing standards within the profession: one for publicly held companies and one for privately held companies.

Ms. Gray commented that the PCAOB will be performing its inspections on an engagement by engagement basis. She expressed concern of these inspection reports not being made public but Sarbanes-Oxley said such reports would be made public. Chairman Johnson added that there were still many issues being considered and developed with regard to the PCAOB's inspection process.

Chairman Johnson addressed other issues to protect the public. He suggested the Board consider requiring successful candidates to pass an Ethics examination prior to being issued a CPA certificate. Executive Director Steele noted that approximately 35 to 40 states already have this requirement.

Chairman Johnson stressed that a CPA should meet certain minimum requirements in order to maintain certification. He cited examples of such requirements as engaging in CPE and peer review. He proposed the elimination of the Public Accountant designation from this point forward in order to clear up public confusion, thereby having one class of licensed accountant in Oklahoma, which is the CPA. He stated that 45 individuals had applied to take the Public Accountant examination in the last thirty years and only one individual is currently pursuing that designation.

He urged the Board to develop a national reputation as a leader not only in the accounting profession but also among the various state accountancy boards. He encouraged the members of the Board to become members of NASBA committees and become involved with the AICPA. He mentioned that the Chairman of NASBA had attended a recent Board meeting and that the Chairman of the AICPA will be attending a future Board meeting.

Next Meeting Date Announced: The next Board Meeting is scheduled for 9:00 a.m., January 9, 2004 in Conference Room 269 at the Lincoln Office Plaza in Oklahoma City.

Deceased Registrants: **CPAs:** Richard Reeves Brown, Certificate No. 5663, issued July 27, 1981; James A. Graves, Certificate No. 1947, issued January 28, 1967

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:

15804-R	Kelly O'Neill Almy
15805-R	Christopher O. Champion
15806-R	Erin Marie Eckles
15807-R	Elmo Gore
15808-R	Verne Lee Hargrave, Jr.
15809-R	Jarrod Layne Heinz
15810-R	Charles John Naber, Jr.

15811-R	Bobby Darin Sharp
15812-R	Francis J. Skonicki
15813-R	Lea Anne Smith
15814-R	Michael Anthony Walker

Applications for Substantial Equivalency:

Peter Anthony Brand (Texas)
C.E. Crouse, Jr. (Colorado)
George A. Galindo (Texas)
Susan Douglas Lunn (Texas)
Marcelo Francisco Mauri (Texas)
Frederic Roy Miller (Texas)
Gary Conrad Prasher (Texas)
Brian Christopher Wasko (Kansas)

Applications for Reinstatement of CPA Certificates:

1449	James Wesley Deskins
7788	Charles Gregory Rogers
9016	Martin David Walden
9805	Thomas Duane Sell
12331	Kevyn N. Rakowski
13001	Teresa Lynn Walker
13856	Christopher R. Doty
14832	Claudia Dupont
15028	Catherine Anne Wall

Initial Registration of a CPA Limited Liability Partnership:

Dana F. Cole & Company, LLP (Nebraska)

Initial Registrations of CPA Professional Corporations:

Jim Pfeiffer, CPA, P.C.
Martha Sparlin Hackworth, CPA, PC
McColl & Associates, P.C.
Michele L. Brenner & Company, PC
Patti J. Fernandez, P.C.
Todd Clouse, PC

Reinstatement of a CPA Professional Corporation:

Archer & Associates, CPA, P.C.

Initial Registrations of CPA Professional Limited Liability Companies:

Cherry & Cannon, CPA's, P.L.L.C.
James A. Porter, III, CPA, PLLC
Needles & Associates, LLC (Colorado)
Robert H. Butler, PLLC

Adjournment: There being no further business to come before the Board, at 11:10 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