OKLAHOMA ACCOUNTANCY BOARD

MINUTES OF MEETING

December 27, 2001

The Oklahoma Accountancy Board convened in special session on Thursday, December 27, 2001 in Suite 165, 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
Harold L. Russell, Member
Carlos E. Johnson, Member
E.B. St. John, Member
Jeanette C. Timmons, Public Member

In attendance at the meeting: Edith Steele, Deputy Director; Douglas Price, Assistant Attorney General; Barbara Walker and Donita Graves, Board staff members. Daryl Hill, Executive Director represented the Oklahoma Society of CPAs. Jim Nolen and Nelson McQueen represented the Oklahoma Society of Accountants.

Call To Order: At 8:38 a.m. Chairman Honea called the meeting to order and declared a quorum present. Douglas Price, Assistant Attorney General had not yet arrived.

Discussion of Draft of Proposed Rules: Chairman Honea addressed the concepts of the proposed changes in the rules.

10:15-25-4. Firm Permits: Chairman Honea addressed the notary requirement for firm permits, stating that if registrants are to complete these registration forms on the internet and file online with the Board, the following language will need to be deleted from the rules: "Such affidavit shall be acknowledged before a Notary Public by an owner or manager of said firm."

> Nickles moved to accept deletion of the notary public requirement; Dugger second. Unanimous affirmative votes.

10:15-25-4. Firm permits

(a) Each firm permit shall have a maximum term of one (1) year and shall expire on August 31 following the date of issuance.

(b) The application for renewal of a permit shall be filed in the office of the Board prior to the expiration of the permit currently held and no later than August 31.

(c) Each firm applying for a permit to practice as a certified public accountant firm or as a public accountant firm shall submit a written affidavit signed by an owner, partner, member or shareholder demonstrating compliance with the requirements set out in Section 15.15A of the Oklahoma Accountancy Act and attesting that each partner, shareholder, owner, member and certified or licensed employee of the firm serving Oklahoma clients holds a valid individual permit. ~~Such affidavit shall be acknowledged before a Notary Public by an owner or manager of said firm.~~

(d) Forms to renew the permits shall be mailed by the Board in July of each year to each firm registered with the Board.

(e) A firm is required to hold a valid permit if that firm is serving Oklahoma clients from outside this state unless such service is incidental to other responsibilities in the firm or involves the internal review procedures of the firm.

(f) Each firm ~~office~~ ~~which~~ that serves Oklahoma clients shall be required to hold a separate permit and pay the applicable fee for each office permit.

10:15-7-2. Applicant experience equivalency: Chairman Honea addressed the need for transition language as it applies to the interpretation of the 150-hour rule and reported that during the Rules Committee meeting, a three-year hiatus from the 150-hour rule was suggested for candidates who have an active status at July 1, 2003. He commented that the committee had encountered difficulty in drafting appropriate language for such a provision. Chairman Honea had suggested another approach at the meeting whereby candidates who meet the qualifications for sitting on July 1, 2003 will be entitled to a permanent exemption from the 150-hour requirement, regardless of whether the individual is a candidate on July 1, 2003 or not. He reported that this measure had been settled upon by the rules committee and invited discussion.

Douglas Price arrives at the meeting at 8:37 a.m.

Mr. Johnson distributed to all the Board members a copy of the e-mail he had sent to Chairman Honea and Secretary Nickles. Mr. Johnson reported that upon his review of the Act and rules, he believes the transition is already covered. He stated that the definitions of candidate and applicant tie together as to what happens on July 1, 2003 when the 150-hour requirement becomes effective and that candidates are grandfathered. Chairman Honea commented that the staff and candidates already have difficulty understanding what the transition will be and that more clarifying language is needed.

Mr. Johnson commented that if subparagraph (h) is included in the proposed rules changes as it appears in the current draft, changes will need to be made to the statute and current rules. Chairman Honea replied that there is a provision for changes even after the Board approves language at this meeting.

Secretary Nickles addressed the issue of the three candidates who qualified under experience who are currently sitting for the examination and have been since 1996. He asked Deputy Director Steele whether these three candidates have an indefinite period in which to pass the examination unless they lose their candidacy. Deputy Director Steele concurred. Secretary Nickles stated that the inclusion of subparagraph (h) would be consistent with the approach taken with these three candidates. Deputy Director Steele commented that if these three candidates lose their active status, they would not have the opportunity to apply under experience again.

Mr. Johnson stated that regardless of whether they were or had ever been an applicant at July 1, 2003, if they are qualified to be an applicant on the basis of education, then they do not have to meet the 150-hour requirement. Mr. St. John asked if the Board intended to grandfather candidates. Chairman Honea replied that this proposal applied to anyone who is eligible to be a candidate, regardless of their status.

Mr. Johnson gave an example of an individual who graduated in 1980 but who had never sat for the CPA examination. If the individual then applied to sit in 2010, he or she would not have to meet the 150-hour requirement. Chairman Honea concurred and added that some state boards have taken this approach, while others have used a one-time deadline or a three-year or five-year timeframe in which a candidate was allowed to sit for and pass the examination.

Mr. Russell asked what the argument was for allowing candidates an indefinite period to sit for the examination. Chairman Honea replied that this was the most liberal, registrant-friendly approach and probably was the easiest to write and administer. Mr. Russell argued that these are administrative issues and asked what the objective was to this proposed transitional period.

Mr. Price explained that there are three types of individuals; (1) an individual can be qualified, but not an applicant; (2) an applicant; and (3) a candidate who is currently sitting for the CPA examination. He stated that the law says that individuals who have not established applicant status must do so before July 1, 2003, otherwise they will have to comply with the 150-hour requirement because “applicant” is a defined term.

Mr. Johnson referenced 10:15-17-2 and stated that once that individual becomes a current candidate and sits for at least one examination within three years, said individual remains a current candidate. Secretary Nickles suggested that subparagraph (h) use the word “candidate” instead of individual for clarification purposes. This change will make it consistent with the three candidates who applied under experience. Ms. Timmons proposed the following language: “any candidate who has qualified to take the examination.” Deputy Director Steele asked if the words, “on the basis of education” should still be included. Secretary Nickles replied in the affirmative.

Mr. Russell asked what the rules committee preferred and what is in the public interest. Secretary Nickles replied that some would argue the 150-hour requirement is in the public interest. Chairman Honea stated that there have been members of the Board who were opposed to the 150-hour requirement. Mr. Russell stated that the 150-hour requirement is in the public interest or else it would not be a law. Chairman Honea

stated that it is just as fair to establish a deadline for candidates to pass the examination as it is to allow them an indefinite period to pass the examination.

> Nickles moved to modify the language in subparagraph (h), with the only change being, “any candidate who has qualified”; the rest of the subparagraph is to remain as it is written; Johnson second. Unanimous affirmative vote.

10:15-7-2. Applicant experience equivalency

(a) Subject to the dates set forth in Section 15.8 of the Oklahoma Accountancy Act, applicants seeking to qualify to take an examination for a certificate or license on the basis of experience equivalent to public accounting, shall show to the satisfaction of the Board that such experience was obtained during the time period specified in Section 15.8 of the Oklahoma Accountancy Act; and that the applicant participated in a minimum of two (2) of the following activities:

(1) Experience in the application of a variety of auditing procedures and techniques to the usual and customary financial transactions recorded in accounting records; preparation of audit work papers covering the examination of the accounts usually found in accounting records; and preparation of written explanations and comments on the findings of an examination and the content of accounting records.

(2) Experience in preparation and analysis of financial statements together with explanations and notes thereon.

(3) Experience in preparation of individual and corporate tax returns, tax planning, and contested tax matters.

(4) Experience in the design of accounting systems, evaluation and design of internal control systems, analytical review of accounting records for the purpose of testing internal controls, or performance of operational audits for use in making management decisions based on accounting information.

(b) The Board may verify the applicant's experience to the extent the Board deems necessary.

(c) Subject to the dates set forth in Section 15.8 of the Oklahoma Accountancy Act, a person seeking to qualify on the basis of self-employment shall satisfy the Board that the requirements have been met. The Board may verify applicant's self-employment experience to the extent the Board deems necessary.

(d) In lieu of experience an applicant shall show to the satisfaction of the Board that the applicant has graduated from an accredited four-year college or university listed in the "Education Directory Colleges and Universities" as published by the Superintendent of Documents, Washington, D.C.

(1) As to an applicant whose college credits are reflected in quarter hours,each quarter hour of credit shall be considered as two-thirds (2/3) of one (1) semester hour when determining semester hour credits necessary to qualify for examination or transfer of credits.

(2) When determining eligibility based on educational qualifications the Board shall consider only educational credit reflected on official transcripts.

(3) The specific requirement that each applicant shall have completed at least one (1) course in auditing may only be satisfied with an auditing course taken in-class for credit from an accredited two-year or four-year college or university listed in the "Education Directory Colleges and Universities" as published by the Superintendent of Documents, Washington, D.C.

(e) When determining eligibility of an applicant for examination the Board shall not consider any combination of education and experience.

(f) The Board will also consider an applicant who has graduated from a college or university located outside the United States if an educational evaluation performed by the Foreign Academics Credentialing Service (FACS) or another credentialing agency which is a member of the National Association of Credential Evaluation Services, Inc. certifies in writing that the applicant's course of study and degree are equivalent to the requirements set forth in Section 15.8 of the Act.

(g) On and after July 1, 2003, one hundred fifty (150) hours of education is required to qualify for ~~the~~ any examination as set forth in Section 15.8.D. of the Oklahoma Accountancy Act. Any MIS or AIS course, or derivative thereof, as defined in Code 10:15-1-2, used by the applicant to qualify must have a substantial relationship, either direct or indirect, to the accounting profession.

(h) Any candidate who has qualified to take the examination on the basis of education prior to July 1, 2003, as provided in Sections 15.8.B and C, is not subject to subparagraph (g) of this subsection.

10:15-29-7. Qualifying subjects: Chairman Honea addressed the concept behind the proposed changes. He reminded those present that the Oklahoma Accountancy Board was designed to protect the public and that permits to practice were created for those who wanted to practice accounting before the public. He stated that the legislature mandated CPE only for permit holders. He referenced a ruling made by the Board in 1999 which opposed meaningless CPE and added that this same issue had been addressed in the first round of AICPA/NASBA CPE standards. He commented that 21 of the 22 state boards responding to the CPE standards exposure draft strongly opposed the proposed standards and wanted to make CPE more, not less, meaningful.

Chairman Honea commented that a reduction of public accounting CPE hours for part-time public accounting permit holders will likely cause a perception of second class

permit holders which is something the OSCPA wants to avoid. He added that the rules committee was divided on this issue.

Secretary Nickles proposed in draft No. 4 that there are two classifications of permits; (1) permits for full-time public accounting practitioners, with the CPE requirement being 40 hours of courses related to public accounting; and (2) permits for those CPAs/PAs whose primary employment is in the non-public sector but also perform public accounting, with the CPE requirement being at least 24 hours in public accounting subjects and the other 16 being in or related to the non-public sector.

Chairman Honea stated that this proposal was a compromise as a result of the Rules Committee meeting. He contended that this proposal is a violation of the function of the Board to protect the public. Mr. Russell concurred. Secretary Nickles commented that such a compromise had originated with the OSCPA's draft of rule amendments; except that the OSCPA had proposed 16 CPE hours be related to public accounting, while the remaining 24 hours could be devoted to industry or non-public sector courses.

Mr. Russell expressed concern about whether having two different CPE requirements was in the public interest. He added that practitioners, membership organizations and their members had lost sight of what the total concept of protection of the public interest is. He urged the Board to consider these changes on the basis of whether they serve the public interest.

Secretary Nickles referenced Section 15.35 as giving the Board all the latitude it needed to determine what CPE is required and added that the ruling in 1999 was an interpretation by the Board to make it more specific to a registrant's practice, which the law does not require.

Mr. Johnson asked for Vice Chairman Dugger's opinion on this proposed change as the Chairman of the CPE committee. Vice Chairman Dugger agreed that the Board's primary goal is to protect the public. He concurred with Secretary Nickles that the Board has a great degree of latitude as empowered by the legislature to regulate accounting in this state to protect the public. He added that industry CPE in subjects such as management techniques still provides an educational level that protects the public and that he likes Secretary Nickles' proposal.

Chairman Honea asked how reducing the public accounting CPE requirement for CPAs who practice part-time could be in the public interest. He restated that the legislature required 40 hours of CPE and that the 40 hours ought to relate to public accounting. Mr. Russell maintained that the purpose of the Board is to protect those members of the public who cannot protect themselves and that it is not the Board's purpose to determine how much CPE a corporation's CPA employees need. Mr. St. John stated that he was bothered by the different standard for a CPA who prepares tax returns full-time and the industry-employed CPA who prepares tax returns on a part-time basis. Chairman Honea mentioned that one of the key reasons cited by the OSCPA for requesting a change in the CPE rules in order to allow CPAs in industry to obtain a permit to practice by taking industry courses is that industry CPAs considered themselves second-class CPAs without the permit. Citing the examples of a

commercial driver's license vs. a regular driver's license and a pilot's license with an instrument rating vs. a pilot's license without an instrument rating, he stated that no one who didn't have a commercial driver's license or the instrument rating considered themselves a second-class driver or a second-class pilot. They simply don't have the extra credential. Similarly to the issue of CPA's with or without permits, the CPA without a permit is just as much as a professional as one with a permit, but just is not allowed to conduct the additional activities of practicing before the public. Mr. Johnson agreed with Mr. Russell on protecting the public interest and supported the state going to a one-tier status where every CPA is required to take 40 hours of CPE. He maintained that CPAs in industry should be allowed to take industry-related CPE since some companies' job descriptions require an applicant to be a CPA even though that job applicant may not have kept up his or her continuing professional education. Mr. Russell disagreed on the basis that Human Resources departments within a company can make this determination for employment better than the Board. Chairman Honea stated that it is not the purview of the Board to make private industry require CPE of their CPA employees.

Chairman Honea invited comments from Jim Nolen, representative of the OSA. Mr. Nolen stated that the OSA opposed this proposed rule change on the grounds of protecting the public interest. Chairman Honea invited Ms. Timmons to speak on the proposed rule change. Ms. Timmons stated she is opposed to this change. She commented that the current rule gives considerable latitude to registrants' CPE requirement as it relates to public accounting and that the Board also has considerable latitude in determining whether a registrant's CPE is related to public accounting.

Mr. Hill, representative of the OSCPA, stated his society's position that a contingent of the OSCPA members in industry who are taking required CPE in their fields are helping to protect the public and as a result, are becoming better CPAs; therefore, the public that deals with these companies are protected as well. Ms. Timmons asked if the Board could still determine as a matter of policy whether a particular course in industry, for example, Oil & Gas Accounting, qualified as acceptable public accounting-related CPE. Chairman Honea replied by addressing the issue of justifying a CPE course as it relates to an individual's public accounting practice. Mr. Hill argued that a CPE course can still be denied, whether the registrant feels it was justified or not. Mr. Nolen added that the Board is operating on the assumption that industry employers require a permit and a certain amount of CPE when there are no facts or statistics to substantiate this assumption. Mr. Hill concurred.

Chairman Honea redirected the discussion by asking for a motion if the Board wished to make any changes in the CPE rules at this time. He asked for a motion on the concept of changing the rules and wanted a roll call vote on the matter before proceeding further.

> Nickles moved to modify the rules and continue discussion about the language to change the rules as they relate to CPE; Johnson second. Affirmative votes: Johnson, Dugger, Nickles, and St. John. Negative votes: Timmons, Honea, and Russell. Motion carried.

Chairman Honea invited further discussion on Secretary Nickles' proposal and its language. Chairman Honea posed the question about whether the remaining 16 hours of CPE had to relate to industry. Secretary Nickles replied that it did not. Chairman Honea referred to the language in the draft which said the 16 remaining hours must relate to industry. Mr. Johnson concurred. Secretary Nickles agreed to change "must" to "may" in subparagraph (b) in Draft 4 in addition to deleting the word "specifically" from that same sentence. Mr. St. John concurred. Chairman Honea stated that the Board does not have the venue to regulate requiring 16 hours to be in industry and proposed striking the last sentence. Secretary Nickles disagreed on the deletion of the last sentence. Chairman Honea maintained that the Board has no venue to regulate the private sector. Vice Chairman Dugger made the observation that the purpose of the last sentence is for clarification.

Chairman Honea asked Mr. Price if making a distinction in the CPE requirements between permit holders is legal under the Board's law. Mr. Price replied in the affirmative.

> Nickles moved to adopt 10:15-29-7(a) (b) & (c) as written, with the exception of changing the word "must" to "may" in subparagraph (b); Johnson second. Affirmative votes: Johnson, Dugger, Nickles, and St. John. Negative votes: Timmons, Honea, and Russell. Motion carried.

10:15-29-7. Qualifying Subjects

(a) Acceptable CPE subjects include the fields of study which enhance a CPA's or PA's ability to serve and deliver public accounting services as defined in Section 15.1A.29 of the Oklahoma Accountancy Act to clients such as accounting, ~~and~~ auditing, advisory services, specialized knowledge and applications, practice management, personal development, taxation, and professional ethics. Other subjects may be acceptable to the Board if such subjects relate to the practice of public accounting and maintain or increase the technical and nontechnical professional skills of the applicant for a permit.

(b) If a CPA's or PA's main area of employment is in the non-public accounting sector and the applicant also performs public accounting services, then at least 24 hours of the qualifying CPE completed by the permit holder or applicant shall be in specific subject areas that relate to the permit holder's or applicant's practice of public accounting as set forth in subparagraph (a) of this subsection. Such permit holder's or applicant's remaining required CPE courses may be subjects that specifically relate to the non-public accounting practice or industry of the permit holder's or applicant's employer.

~~(b)~~(c) The responsibility for demonstrating to the satisfaction of the Board that any nontechnical course(s) maintain or increase the professional skills of the individual rests solely with the permit holder or the applicant for a permit. Failure to demonstrate to the satisfaction of the Board that a nontechnical CPE course will maintain or

increase professional competence will result in the disallowance of credit for such course(s).

10:15-29-1.1. Burden of proof: Mr. Russell expressed concern about the potential for confusion as it relates to subparagraph (b) of 10:15-29-7 Qualifying Subjects. Ms. Timmons stated that she did not see an inconsistency. Mr. Johnson concurred, explaining that the Burden of Proof is a delineation of subparagraph (b) of Qualifying Subjects.

> Johnson moved to adopt 10:15-29-1.1. as submitted to the Board in Draft 4; Vice Chairman Dugger asked for an amendment to delete the last part of the last sentence and replace with the following verbiage: "subject to qualifying subjects indicated in 10.15.29-7." Chairman Honea suggested deleting the verbiage of the previous sentence after "subject matter" as well as deleting the entire last sentence.
>
> Johnson restated motion to amend 10:15-29-1.1. to add a period after the words, "subject matter" and delete the entire last sentence and add the words, "Oklahoma Accountancy" to "Act"; Nickles second. Unanimous affirmative vote.

10:15-29-1.1. Burden of Proof

The burden of proof rests solely upon the registrant to demonstrate to the satisfaction of the Board, in accordance with the Oklahoma Accountancy Act, that all continuing education courses reported meet all of the requirements as to content and subject matter.

10:15-31-1. General Standards for structured CPE: Chairman Honea addressed subparagraph (b), its inclusion of proposed verbiage and its need to be added. Mr. Johnson concurred. Chairman Honea said the intent of (2) was for word-smithing purposes only, with no intent to change its meaning.

> Nickles moved to adopt 10.15-31-1. As modified in Draft 4; Johnson second. Unanimous affirmative vote.

10:15-31-1. General standards for structured CPE

(a) The subject matter, content, presentation, measurement, and reporting of CPE courses must meet the standards set forth by rule to qualify for credit pursuant to the provisions of the Oklahoma Accountancy Act.

(b) Permit holders shall participate in structured programs of learning that maintain or increase their professional competence and ability to deliver public accounting services, except as provided in subsection 10:15-29-7(b).

(1) While permit holders participate in a wide variety of learning activities, CPE credit is allowed only for structured programs of learning.

(2) An individual performing services of a professional nature needs to have a broad range of knowledge, skills, and abilities ~~which~~ that enhance a registrant's ability to serve and deliver public accounting services to clients. ~~The concept of professional competence shall be interpreted by the Board broadly.~~ The Board shall interpret the concept of professional competence broadly. Programs contributing to the development and maintenance of nontechnical professional skills ~~which~~ that relate to the practice of public accounting shall also be recognized as acceptable CPE.

(c) It is the responsibility of each permit holder to comply with all applicable CPE requirements. A permit holder may also have to meet CPE requirements of other jurisdictions, in order to engage in the practice of public accounting for Oklahoma clients.

(d) CPE program sponsors have a responsibility to comply with standards established by the Board.

10:15-7-2. Applicant experience equivalency: The issue addressed is adding the words, "Oklahoma Accountancy" before the word "Act" in the first sentence for the purpose of consistency.

Russell moved to adopt change; Nickles second.
Unanimous affirmative vote.

Chairman Honea reminded the Board that these rules changes will be presented at the public rules hearing which is scheduled on February 15th and that changes can be made after the hearing if needed.

Discussion of Draft of AICPA/NASBA/Prometric Examination Contract: Chairman Honea reported that he had contacted the Chairpersons of the New York, California, and Washington State Board and has received responses from State Boards of Nebraska, Idaho, Missouri, and California. He explained that he had contacted Chuck Schoff, Chairman of the New York Board. The New York Board has formulated questions related to the examination contract and their written responses are being reviewed by their legal counsel. In his conversation with Mr. Schoff, concern was expressed about controls regarding the 3-million-dollar non-interest-bearing loan being made to NASBA and the 10-million-dollar non-interest-bearing loan being made to the AICPA. The New York Board suggested that Thompson should divest itself of Micromash and Prometric to preserve the integrity of information. Chairman Honea stated that the New York Board does not want the AICPA to have control of the national reserve database and believes that if NASBA does not have control, then control should revert back to the Boards. New York also expressed concern for the increase in cost of the computerized examination and the potential result of there being fewer examinees and less revenue base. Chairman Honea addressed the issue of New York being concerned with the membership composition of the Board of Examiners and that this

was also a concern of the AICPA, who considers this to be a potential deal-breaker if the provision requires at least 50% membership from NASBA.

Chairman Honea commented that there was not a provision in the contract that addresses when examinees can leave and re-enter the examination, with the exception of bathroom breaks. Vice Chairman Dugger added that Jack White of the Arkansas Board had posed that question and NASBA's response was that every state could promulgate rules to address this issue.

Chairman Honea stated that the Chairman of the New York Board did not think that the legal issues of the examination contract posed by their Board could be remedied by January 9th and that the New York Board will not vote for the contract until such changes are addressed and resolved. He added that AICPA, NASBA, and Prometric could not remedy the issues the California Board had with the contract by January 9th. The Chairman of the California Board did not indicate what their position would be if their issues were not resolved.

Chairman Honea asked if Vice Chairman Dugger has received a response as to why Oklahoma was not invited to the conference between Executive Directors and NASBA in New Orleans. Vice Chairman Dugger replied that NASBA's official answer for not inviting all state boards was they wanted a more manageable group and that two groups were formed; one being a structural committee and the other working on issues such as confidentiality. He added that a potential reason why Oklahoma might have been excluded was due to the Board not having a permanent Executive Director.

Chairman Honea next addressed reports drafted by the Idaho and Missouri State Boards about the examination contract. He addressed the issue of visiting sites for on-site audits and that there is a provision in the general contract which requires a 72-hour minimum notification and the names of all Board members, the Executive Director, and one person specified by name authorized to visit sites. Secretary Nickles asked if there would be some form of security measures for authorized persons to go through before being allowed entry into a site. Vice Chairman Dugger replied that identification will be required but everybody's name would be on file. Chairman Honea added that Prometric does not have to be notified as to which site will be visited.

Mr. Johnson asked if the Board had a report to consider from Assistant Attorney General Price regarding the computerized examination contract. Mr. Price replied that his concerns with the contract are how the provisions can be applied to real situations.

Deputy Director Steele replied that according to Bob Brooks, Executive Director from North Carolina, who attended the New Orleans conference, a flow chart is to be presented to the Executive Directors at the February meeting in San Diego and that the flow of money is as follows: the applicant pays the state boards, the state boards pay NASBA, NASBA pays Prometric, and Prometric pays the AICPA.

Mr. Price asked how long the Oklahoma Accountancy Board holds the fees collected from the candidates. Deputy Director Steele replied that fees are collected in January and February and the Board is billed in June by the AICPA. Mr. Price expressed

concern about the interest earned on the flow of funds. Escrow accounts being credited to NASBA instead of the State Treasurer would create the appearance of the state making a gift to a private entity, which is unconstitutional. Mr. Price stated that it could be argued that it is a gift and that this is not the kind of contract the state enters into voluntarily with other private vendors.

Mr. Russell expressed concern that there were no controls in place to prevent Prometric from increasing the price of the examination. Vice Chairman Dugger commented that he had received a letter dated November 29th from Barton Baldwin about the proposed contract addressing principal concerns of cost, confidentiality, and control, but that the contract does not address these. He added that no more than one-third of the cost has been defined in this contract and that it still has not been determined what the computerized examination will cost the state of Oklahoma.

Mr. Russell reiterated his concern about the state boards' inability to control the cost of the computerized examination and added that the reputation of the CPA examination's being the most difficult of professional examinations was in jeopardy. Chairman Honea replied that Prometric could argue that state boards do not currently control the cost of the CPA examination due to the AICPA. Mr. Russell replied that some states have laws which limit how much state boards can charge candidates. Chairman Honea commented that this contract is taking away NASBA as a future competitor in the production of an examination; therefore, it will be easier for Prometric and AICPA to control the cost.

Mr. Johnson asked the Chairman what course of action he wanted the Board to take at this meeting. Chairman Honea replied that he wanted a list of questions. He recommended that the first question address the issue of interest in the holding period credited to an outside third party as a gift. He also recommended that the second question address the details of cost flow and defined amounts. Secretary Nickles posed the question of whether or not the Board can legally give NASBA the information it is proposing for its central database since the Board's candidate database is confidential. Deputy Director Steele responded that it will be used to control a candidate's going from state to state to take the computerized examination and that such a database should not be in Prometric's or the AICPA's control. Secretary Nickles asked if there can be restrictions on what information is released by the Board to NASBA for its national database. Chairman Honea replied that such restrictions could be allowed if proper controls were in place. Chairman Honea commented that the Washington State Board had concerns about NASBA's ability to control confidential information.

Secretary Nickles recommended a separate entity comprised of the 54 jurisdictions control the national database. Chairman Honea asked Secretary Nickles if he thought this was a critical concern that needs to be addressed on January 9th. Secretary Nickles replied that he could not agree to the contract unless he was satisfied with the controls. Mr. Johnson added his concern of confidentiality.

Mr. Johnson asked the members of the Board if they were satisfied with Chairman Honea, Vice Chairman Dugger and Assistant Attorney General Price reviewing the contract and letting the remaining board members know of the questions they draft.

Chairman Honea commented that the purpose of the January 9th meeting is to have a scheduled question and answer period and discussion on the key terms of the contract among the state boards, ending with an advisory vote advising the NASBA Board as to whether NASBA should or should not sign the examination contract.

Mr. Price addressed the problem of the ADA provision in the contract and how it would apply in reality. Deputy Director Steele explained the current ADA policy as it pertains to special accommodations. Chairman Honea asked if the Board should object to NASBA's authority to approve or disapprove a jurisdiction's test centers. Vice Chairman Dugger and Secretary Nickles replied in the affirmative.

Chairman Honea stated that if the New York Board votes not to approve the computerized examination contract, he feels comfortable with the Oklahoma Accountancy Board following suit. Secretary Nickles commented that the issue of the loans should be enough basis for rejecting the contract. Vice Chairman Dugger addressed his concerns about the Board's responsibilities in administration of the contract.

> Johnson moved to authorize Chairman Honea and Vice Chairman Dugger to work in conjunction with Assistant Attorney General Price to develop critical issues to vote or not vote in the best interest of the State of Oklahoma and the registrants; Russell second. Unanimous affirmative vote.

Chairman Honea mentioned that, if necessary, he might call another special board meeting before January 9th.

Next Meeting Date Announced: The next Board Meeting is scheduled for 8:30 a.m., January 25, at the Board office in Oklahoma City.

Adjournment: There being no further business to come before the Board, at 11:37 a.m. Chairman Honea declared the special meeting adjourned.

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Archer M. Honea, Chairman

ATTEST:

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James A. Nickles, Secretary

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