

**OREGON BOARD OF ACCOUNTANCY**  
**Minutes, May 19, 2008**

Eugene Hilton

Eugene, OR

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*The Board of Accountancy protects the public by regulating  
the practice and performance of all services  
provided by licensed accountants.*

**Board Members Present**

Kent Bailey, CPA, *Chair*  
Jens Andersen, CPA, *Vice-Chair*  
Eric Lind, *Public Member, Co-Treasurer*  
James Gaffney, CPA  
Stuart Morris, PA  
Roberta Newhouse, CPA

**Staff Members**

Carol Rives, *Administrator, by phone*  
Kimberly Bennett, *Committee Coordinator*  
Joyce Everts, *Committee Coordinator*  
Noela Kitterman, *Investigator*  
Heather Shepherd, *Committee Coordinator*

**Excused**

Ray Johnson, CPA, *Co-Treasurer*

**Guests Attending**

Jeff Dover, AAG  
Scott R. Wright, CPA, OSCPA  
Janice Essenberg, CPA, OSCPA  
Sherry McPherson, OSCPA  
Joyce Funkhouser, OAIA  
Sue Robertson, OAIA  
Bob Baldwin *10:30 a.m. in person*  
Meg Kieran Esq. (*Attorney for Baldwin*)  
Carolyn Barker *9:00 a.m. in person*  
Brad Bingenheimer (*Attorney for C. Barker*)

**1. CALL TO ORDER**

A quorum being present, Chair Bailey called the meeting to order at 8:30 a.m. and appointed Eric Lind as Process Observer.

**2. APPROVAL OF MINUTES**

**A. February 4, 2008 Board Meeting**

**BOARD ACTION:** Moved by Andersen and carried to approve the February 4, 2008 Board meeting minutes.

**VOTE:** Chair Bailey voted; 5 ayes, 1 Excused (Johnson)

**3. REPORT OF CHAIR**

**A. NASBA**

**1. NASBA Board Meeting Highlights**

The members were presented with a memo of the recent NASBA Board meeting. The next NASBA Board meeting is scheduled July 24-25 in Bend, Oregon. Ms. Rives will contact NASBA and ask if the Oregon Board can send a representative to the meeting and dinner. Mr. Andersen will attend the NASBA meeting if allowed.

**2. Regional Meeting Travel Authority**

The administrator requested that one Board member be authorized to travel to the NASBA Regional Meeting June 18 - 20, 2008 in Newport Beach, California. Ms. Newhouse will be attending as a new Board member on scholarship through NASBA.

**BOARD ACTION:** Moved by Morris and carried to approve travel for one Board member to travel to the NASBA conference.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

### **3. NASBA Legal Counsel Conference Report**

Mr. Dover attended the Legal Counsel Conference in Austin, Texas. Mobility and PCAOB were topics of discussion. States are struggling with the confidentiality of PCAOB and are unsure of what steps to take next. The UAA has been passed in a few states as presented while other states are adopting portions of the UAA. Mr. Dover felt attendance at the conference was a valuable exercise.

### **4. Washington Nominations for NASBA Positions**

Bailey inquired if the Board would like to send a letter of support for Laurie J. Tish, CPA for the position of Regional Director – Pacific Region and Edwin G. Jolicoeur for the position of Nominating Committee – Pacific Region.

**BOARD ACTION:** Moved by Gaffney and carried to support Laurie J. Tish for the position of Regional Director – Pacific Director and Edwin G. Jolicoeur for the position of Nominating Committee – Pacific Region.

**VOTE:** Chair Bailey voted; 6 ayes; 1 excused (Johnson)

### **5. NASBA Conference for Peer Review Oversight Delegates**

*Board Discussion: This conference will be scheduled for early August in Nashville. It would be nice if we ask members of the Oregon Peer Review Oversight Committee to attend this conference. The committee can ask for a volunteer and an alternate to attend the conference. Mr. Gaffney is available to attend this conference via telephone if needed.*

**BOARD ACTION:** Moved by Gaffney and approved to send one member of the Oregon Peer Review Oversight Committee to this conference.

**VOTE:** Chair Bailey voted; 6 ayes; 1 excused (Johnson)

## **4. REPORT OF VICE CHAIR**

### **A. Action from Work Session**

1. Pre-issuance Review Taskforce *(2.B.1. from work session)*

**BOARD ACTION:** Moved by Andersen and carried to approve the April 29, 2008 Pre-issuance Task Force minutes.

**VOTE:** Chair Bailey voted; 6 ayes; 1 excused (Johnson)

2. 2009-11 Proposed Budget Development *(4.D. from work session)*

No action – There may be need for a fee increase due to a potential budget deficit.

3. Performance Measures and Policies; revised performance measure relating to complaints process. *(4.E. from work session)*

4. Rules to be filed for January 1, 2009 effective date *(4.A.1. from work session)*

1. 801-010-0115 – Resignation of Licensee

**BOARD ACTION:** Moved by Andersen and carried to change the word “misconduct” to “cause” and approve the changes to OAR 801-010-0115.

**VOTE:** Chair Bailey voted; 6 ayes; 1 excused (Johnson)

5. Performance Measures and Policies *(4.E.1.b. handout from work session)*  
Definitions for Board Actions on Complaints – defer to October 2008 work session.
6. The Board concurred that consistent committee member attendance at committee meetings is critical and advised that the committee chair and/or committee liaison can request a committee member to step down and the committee may select another member to fill that position.
7. The Board agreed that the by-laws for the Peer Review Oversight (PRO) Committee be amended to include a statement that members of the PRO committee may be a member of the committee only if their firm is in good standing with their Peer Review audits.

## 5. REPORT OF TREASURER

### A. March 2008

Lind reviewed the budget and stated that during the first nine months of the biennium, revenues are \$63,000 over budget and expenses are \$56,000 under budget. The fines are greater than expected and we have not yet had large expenses for on-line licensing or contract investigations.

## 6. LEGAL

### A. REPORT OF LEGAL ITEMS

#### 1. Proposed Orders After Hearing

##### a. Stephan Sykes

Client signed an agreement with Stephan P. Sykes, CPA PC (Sykes) in which Sykes agreed to provide specific services for Client. Sykes did not provide the services outlined in the agreement and did not provide Client with records that Client requested.

On July 30, 2007, the Board mailed Notice of Proposed Civil penalty and Notice of Right to Hearing (N-07-007) for violation of: OAR 801-030-0010(1); OAR 801-030-0015(2)(b); OAR 801-030-0015(2)(d); OAR 801-030-0020(1); OAR 801-030-0020(7)(c); OAR 801-030-0020(7)(b).

Sykes requested a hearing and on February 27, 2008, the Administrative Law Judge (ALJ) ruled in Sykes' favor on all counts.

**Board Discussion:** *Sykes did not provide the requested papers, he did not respond in a timely manner and the complainant did not support her complaint when she appeared as a witness. For the record the Board does not agree with the ALJ decision. The civil penalty is not the issue; to deter further conduct is the issue. Even though the Board may be correct, that does not mean we should pursue any further. Counsel advised against pursuing cost recovery.*

**BOARD ACTION:** Moved by Gaffney and carried to accept the ALJ report dated February 27, 2008.

**VOTE:** Chair Bailey did not vote: 4 ayes, 1 nay (Lind) 1 excused (Johnson)

## **2. Proposed Consent Orders**

### **a. William Line**

While in lapsed status, Line prepared and signed approximately 200 individual tax returns and 30 corporate tax returns. The Board assessed a \$5,000 civil penalty for violation of ORS 673.320(3) Permit or registration.

The Board received a \$3,000 check from Line as an offer to settle the civil penalty.

**Board Discussion:** *There was no discussion.*

**BOARD ACTION:** Moved by Gaffney and carried to accept the settlement offer.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

### **b. Gary Stapleton**

Gary Stapleton (Stapleton) deducted alimony on Client's 2003 tax return. The deduction was disallowed by Oregon Department of Revenue.

The Board issued a Notice of Proposed License Revocation and a \$3,000 civil penalty (N-07-013) for knowingly misrepresenting the facts on Wife's tax return when Stapleton used the Head of Household filing status and claimed a dependent that did not qualify; in violation of OAR 801-030-0005(2), integrity and objectivity; OAR 801-030-0010(1), competence and OAR 801-030-0020(1)(b), professional misconduct.

The Board received a settlement agreement wherein Stapleton agrees to: a 3-month suspension; completion of 16 additional hours of CPE; pay a \$3,000 civil penalty and will not admit the charged violations.

**Board Discussion:** *The Board agrees that this issue is more serious than Stapleton understands it to be. Dover suggested taking depositions from Stapleton and Gaffney.*

**BOARD ACTION:** Moved by Gaffney and carried to reject the settlement offer.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

**BOARD ACTION:** Moved by Gaffney and carried to take depositions from Stapleton and Gaffney.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

### **c. Mort Bohn**

Oregon Employment Department contacted clients of Morton Bohn to conduct audits of employer payroll records pursuant to ORS 657.660. Bohn's clients granted Bohn "Power of Attorney" to represent them before Department. While representing clients before Department, Bohn disregarded Department's authority to schedule audits and disregarded a Department issued subpoena.

Board issued a Cease and Desist order regarding conduct that is threatening to a public official and assessed a total civil penalty of \$10,000.

The Board received a letter from Bohn's attorney stating that Bohn is willing to agree to the following: Bohn does not accept the Findings of Fact or Conclusion of Law; Bohn is willing to stipulate to the terms of the Cease & Desist Order

found in paragraph 20 – “cease and desist from engaging in conduct that interferes with the Oregon Employment Department’s statutory authority to audit employee records”; and Bohn is willing to pay a \$1,000 total civil penalty.

**Board Discussion:** The Board agreed that the settlement offer, requesting the Board to retract the Findings of Fact and Conclusion of Law is not an option.

**BOARD ACTION:** Moved by Gaffney and carried to reject Bohn’s settlement offer.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

**BOARD ACTION:** Moved by Gaffney and carried to authorize legal counsel to negotiate the civil penalty amount.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

## **B. Other**

### **1. Requests for Reconsideration**

#### **a. Parry Ankersen Article & Consent Order**

Ankersen audited a School District for the year ending June 30, 2005. Ankersen revised financial information and submitted without the knowledge or approval of the District and Ankersen did not provide a copy of the revised financial information to the District. When certain workpapers were requested, Ankersen was unable to locate the papers.

The Board assessed a \$1,500 civil penalty and required Ankersen to submit an article to the Board that is suitable for publication.

**Board Discussion:** The Board agreed that the article Ankersen submitted lacked professionalism, however, the requirements were adequately addressed.

**BOARD ACTION:** Moved by Lind and carried to accept the article as written.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

#### **b. Timothy Steers**

The Board received documents from Steers’ attorney in response to the Subpoena from the Board. Before further action is taken, the Board will review the documents and determine if the case should be returned to the Complaints Committee and/or a contractor investigator for review.

#### **c. Bob Baldwin**

Mr. Baldwin passed the CPA Exam in November 1998. Mr. Baldwin’s experience is based on his position with Lane Community College as a procurement specialist. The committee members do not believe Mr. Baldwin has had sufficient experience in this position. He has held this position since 2003 under the supervision of a qualified supervisor licensee. The position does not include any financial statement work or typical accounting duties. The committee does not believe that competence in the seven core areas can be achieved based on the duties that Mr. Baldwin has performed.

Board staff sent letters on January 10, 2007 and again on February 6, 2007 to Baldwin advising him of the Board decision to deny his application, and that he may either withdraw his application for certification and reapply once he has met the requirements or request an administrative hearing. Baldwin requested an administrative hearing.

On March 5, 2007 Board staff sent a letter to Mr. Baldwin’s supervisor licensee, Stan Barker, asking if Mr. Barker could provide additional

information to substantiate a broader base of experience. Mr. Barker provided additional information which was reviewed by the committee.

The committee was not satisfied that the additional information provided enough assurance that the applicant had met the core competencies through the appropriate level of experience.

Mr. Baldwin and Greg Morgan attended the Board meeting on May 21, 2007 to discuss the committee recommendation. Board Member Johnson asked Mr. Baldwin to describe his experience performing audits and his involvement in the preparation of the colleges' financial reports. Mr. Baldwin stated that he works with depreciation schedules and final journal entries. He also works with the external auditors. He has prepared policies for long range financial planning and prepared methods for assigning value to post retirement accounts. He has also assisted in the published budget.

Mr. Morgan is not Mr. Baldwin's direct supervisor; Morgan supervises the supervisor licensee. Mr. Morgan has not directly supervised the work of Mr. Baldwin, therefore, the Board will request additional information from Mr. Barker as to the competencies. The Board forwarded the case back to the Qualifications committee.

Mr. Baldwin and Mr. Barker attended the committee meeting July 17, 2007. Board staff sent Mr. Barker a letter asking for additional information; his response was received one day prior to the committee meeting. The committee asked Mr. Baldwin and Mr. Barker to clarify the work performed at Lane Community College and determined that additional time was required to review the additional information.

At the meeting held on January 14, 2008, the committee reviewed all the documentation received for Mr. Baldwin's application for certification. It is the committee's judgment that the level of work that the applicant performed is not sufficient to recommend approval.

Mr. Baldwin, his attorney Meg Kieran and Stan Barker, supervisor licensee attended the Board meeting today requesting an appeal of his denial. They would like an extension of time to December 15, 2008 to show that Mr. Baldwin has sufficient experience.

Mr. Gaffney explained that Mr. Baldwin needs to provide evidence that he met the experience qualifications during the window of time (8 years since exam) not current experience. Mr. Baldwin had until November 2006 to complete the competencies to the satisfaction of the Board and has not done so, the Board will not consider any experience outside the 8-year window. If he can provide further information the Board can consider that, but the Board will not consider experience outside the 8-year timeframe.

**BOARD ACTION:** Moved by Gaffney and carried to approve Baldwin's request for an extension to December 15, 2008 for Mr. Baldwin to further elaborate on the competencies gained through November 2006.

**VOTE:** Chair Bailey voted; 6 ayes, 1 excused (Johnson)

#### **d. David Sheets**

Mr. Sheets' CPE report was randomly selected for review during the 2007 CPE audit. Licensee's response to CPE audit revealed that the programs

listed on the renewal report were not completed until October 2007. Further investigation revealed that CPE programs reported by licensee on the 2003 and 2005 renewals were never completed.

The Board issued Notice of Revocation for providing inaccurate information on multiple applications for renewal of CPA permit.

Sheets and Joel Wilson, Esq. arrived at the Board meeting in person at 11:15 a.m. Wilson stated that Sheets did not intend to deceive the Board or to avoid his CPE responsibilities. The Board reviewed a timeline of Sheets' medical history from 2001 to current. Sheets had difficulty with prescribed medications and spent time in the hospital to clear the medications from his system. Sheets experienced continued medical problems causing him to miss weeks of work at a time. Other complicating circumstances: in 2007, Sheets' office was burglarized and that same year his father-in-law passed away. Medical issues coupled with personal and medication problems caused Sheets' failure to complete CPE requirements.

The Board questioned why Sheets would knowingly misrepresent CPE on his renewal application, noting that honesty and integrity is a cornerstone of the profession. The Board also wondered if Sheets is currently taking medications and if so, how will the medications affect his ability to perform as a CPA. The Board struggled with revocation or staying the revocation for a period of time. The Board considered suspension with 160 hours of in-class CPE within 24 months.

The Board reviewed Sheets' Proposed Consent Order.

**BOARD ACTION:** Moved by Gaffney and carried to reject the Proposed Consent Order.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

**BOARD ACTION:** Moved by Gaffney and carried to issue a Consent Order to suspend Sheets' CPA permit and require proof of completion for 160 hours of in-class CPE (not self-study) and 8 hours of Ethics (included in the 160 hours) within 24 months after receipt of the consent order. The 80 hours of recently completed CPE will not be included in the 160 hours of CPE. After the 160 hours of CPE is completed, Sheets may apply to reinstate his CPA permit. Sheets requested 30 days before inception of the Consent Order to draw office matters to a close.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

## 7. COMPLAINTS

### A. Report of Complaints Committee

#### 1. Acceptance of Minutes

##### a. April 24, 2008

As discussed in the work session, Andersen has direction for the Complaints Committee regarding the Complaints Committee recommended levy of civil penalties versus the final Board decision levy of civil penalties.

**BOARD ACTION:** Moved by Andersen and carried to accept the Committee minutes of April 24, 2008.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

### B. Consent Agenda

#### 1. Complaint Investigations

\*a. Kessler Knutsen & Co. LLC

06-12-048

- \*b. Robert Sederstrom 06-12-049
- c. Baker & Colson PC 07-05-015
- \*d. Carolyn Barker 07-05-017
- 2. Contractor review and investigations
  - \*a. Gary McGee 07-01-008
  - \*b. Merina & Company LLP 07-07-020
  - \*c. Richard Donaca 07-01-009
  - \*d. Jones & Roth PC 07-01-010
- 3. Other
  - \*a. Pauly Rogers & Company PC
- 4. Reminder Letter (to Firms)

**BOARD ACTION:** Moved by Andersen and carried to accept the Consent Agenda.  
**VOTE:** Chair Bailey did not vote; 6 ayes, 1 excused (Johnson)

*\*Items moved to 7.C. for discussion*

### **C. Items Removed from Consent Agenda**

#### **Complaint Investigations**

##### **1. Kessler Knutsen & Co. LLC 06-12-048**

Kessler Knutsen & Co. LLC (Firm) provided accounting services to Client, Client's Company and a family Trust. Firm did not timely prepare Company monthly financial statements in 2006. Client states that Firm refused to return Client's records and that Firm submitted invoices that Client believed were false or overstated.

#### **ALLEGED VIOLATION(S)**

##### **OAR 801-030-0015(2)(b) Requested Records (2006)**

*Licensees are required to furnish the following records to a client or former client, upon request, within a reasonable time after such request:*

*(A) In response to a client's request for client records, made within a reasonable time, that occurs prior to issuance of a tax return, financial statement, report or other document prepared by a licensee, the licensee shall furnish to the client or former client any accounting or other records belonging to or obtained from or on behalf of the client that the licensee received for the client's account or removed from the client's premises.*

*(B) In response to a client's request for client records, made within a reasonable time, that occurs after the issuance of a tax return, financial statement, report or other document prepared by the licensee, the licensee shall furnish to the client or former client:*

*(i) A copy of a tax return, financial statement, report or other document issued by the licensee to or for such client or former client;*

*(ii) Any accounting or other records belonging to or obtained from or on behalf of the client that the licensee removed from the client's premises or received for the client's account; and*

*(iii) A copy of the licensee's working papers, to the extent that the working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client.*

Client stated that Firm refused to return Client's files and records, but interviews with Client, Client's subsequent CPA and with Knutsen indicate that all original documents and records were timely returned to Client or Client's subsequent CPA.

**OAR 801-030-0020(1) Professional Misconduct (2006)**

*(a) A licensee shall not commit any act or engage in any conduct that reflects adversely on the licensee's fitness to practice public accountancy.*

*(b) Professional misconduct may be established by reference to acts or conduct that would cause a reasonable person to have substantial doubts about the individual's honesty, fairness and respect for the rights of others or for the laws of the state and the nation. The acts or conduct in question must be rationally connected to the person's fitness to practice public accountancy.*

Client alleged that Firm "routinely missed filing deadlines which resulted in numerous late filing penalties and interest charges assessed by federal and state taxing authorities". When interviewed, Client could not support this allegation.

Client's attorney submitted correspondence to Firm stating that the amounts billed to Client, Company and Trust were not correct and were false. Attorney states that Firm did not respond to the attorney's correspondence. The Board does not have jurisdiction in billing disputes.

When Firm dissolved, Kessler retained Client's accounts. Kessler did not return Client's calls or respond to Client's correspondence related to Firm's invoices. Client hired an attorney in an attempt to resolve the billing issues with Firm. Kessler threatened the attorney. The threats caused the attorney to file a police report.

**SUMMARY**

OAR 801-030-0015(2)(b) Requested Records

OAR 801-030-0020(1) Professional Misconduct

Committee Discussion: Kessler renewed his license June 30, 2006 and was convicted of a crime in August 2006. He was found to be in possession of a weapon, which is a violation of the terms of house arrest. Information about Licensee's and threats made to the attorney are recent information that should be investigated further.

COMMITTEE RECOMMENDATION: Moved and carried to defer and request staff to research additional information including threatening comments.

**Board Discussion:** *It appears that Kessler is having numerous personal problems. This case may be more serious than it appears – Kessler has continuing problems with not abiding with the law. If Kessler reinstates, he is required to disclose conviction of all minor crimes except traffic violations. The Board requests that Kessler be placed on the "watch list" rather than opening a complaint.*

**BOARD ACTION:** Moved by Andersen and carried to request the Complaints Committee make a recommendation to the Board without additional information and the Board will then open a new complaint against Kessler.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

**2. Robert Sederstrom 06-12-049**

Robert Sederstrom served as Chief Financial Officer (CFO) for PRM from May 2003 through July 28, 2006. Sederstrom provided consulting services to PRM until mid September 2006. PRM is a non-profit organization located in Portland Oregon.

PRM claims that Sederstrom used PRM assets for personal gain.

Acronyms used in this report are as follows:

DAH – Drive Away Hunger

JAR – JAR LLC

PRM Auto Sales – Auto sales business name and automobile lot

**ALLEGED VIOLATION(S)**

**ORS 673.170(2)(b) Disciplinary Action; grounds;**

*Dishonesty, fraud or gross negligence in the practice of public accountancy*

While employed by PRM, Sederstrom and two other PRM employees took steps to organize a business of their own (JAR) for the purpose of selling vehicles that are donated to Drive Away Hunger. When interviewed, Sederstrom stated that JAR was only in the planning stages and that the incorporation articles and other documents prepared by Sederstrom for JAR were never filed.

Sederstrom stated that he did not participate in any of the “PRM Auto Sales” activities described in the complaint.

**OAR 801-030-0010(1) Competence (2006)**

*A licensee shall not undertake any engagement for the performance of professional services which the licensee cannot reasonably expect to complete with due professional competence, including compliance, when applicable, with sections (2) and (3) of this rule.*

PRM alleged that Sederstrom did not maintain adequate inventory controls over vehicles donated to DAH. Sederstrom stated that he took a monthly physical inventory and that the external auditor made a physical inventory on an annual basis.

**OAR 801-030-0020(1) Professional Misconduct (2006)**

*(a) A licensee shall not commit any act or engage in any conduct that reflects adversely on the licensee's fitness to practice public accountancy.*

*(b) Professional misconduct may be established by reference to acts or conduct that would cause a reasonable person to have substantial doubts about the individual's honesty, fairness and respect for the rights of others or for the laws of the state and the nation. The acts or conduct in question must be rationally connected to the person's fitness to practice public accountancy.*

While employed by PRM, Sederstrom traded a 1995 Oldsmobile for a 1998 Lexus through DAH as an "even exchange". After Sederstrom terminated employment, PRM investigated and determined that the 1998 Lexus was worth more than the 1995 Oldsmobile and Sederstrom agreed to pay PRM an additional \$4,100.

Sederstrom took several scooters from a DAH repair shop to his home where Sederstrom intended to make repairs. Sederstrom was unable to make the repairs, but did not return the scooters to PRM. Sederstrom returned the scooters to DAH upon PRM's request after he terminated his employment with PRM.

**OAR 801-030-0020(9) Notification of change of address, employer or assumed business name**

*Licensees are required to maintain a current record with the Board of the information described in this rule, and to provide written notice to the Board of any change in such information within 30 days of such change. Written notice required under this rule may be provided by US mail, private delivery service, fax transmittal, email or personal delivery. The information required under this rule will not be accepted over the telephone.*

- (a) Licensee's current business and residential addresses. If the number of a post office box, mail drop or pick up services is provided for either address, the licensee must also provide the physical address;*
- (b) The name and address of licensee's current employer; and*
- (c) Any assumed business name used by licensee, if licensee is conducting the practice of public accountancy under an assumed business name.*

Sederstrom terminated employment with PRM July 28, 2006 and did not notify the Board of the change in employment until June 27, 2007.

**SUMMARY**

ORS 673.170(2)(b) Disciplinary Action; grounds  
OAR 801-030-0010(1) Competence  
OAR 801-030-0020(1) Professional misconduct  
OAR 801-030-0020(9) Notification of change of address, employer or assumed business name

Sederstrom and Lagesen Esq. joined the meeting from 11:00 a.m. until 11:45 a.m. Sederstrom made the following statements to the committee:

**April 27, 2006 email:**

The April 27, 2006 email (from Sederstrom to Cline) was prompted because of rapid DAH growth and the Board and Sederstrom had concerns. Sederstrom wanted to give the Board and legal counsel time to think about legal ramifications with respect to the rapid DAH growth. The email was intended to slow DAH operations until DAH growth structure could be determined. Cline is an aggressive businessman and has promulgated DAH into a successful business. Sederstrom also advised Cline to wait for additional direction from the Board.

### JAR LLC:

Sederstrom said the Board did not know specifically about plans for JAR LLC operation. JAR was one of many business growth options discussed but JAR LLC was never formalized. The Committee asked why so much effort was expended to develop a lease for a car lot on 82<sup>nd</sup> street if JAR was only an option. Sederstrom responded that there was as much effort put into other options, e.g.: selling cars on a lot on 82<sup>nd</sup> street; spinning off the auto program; using a separate ministry organization; setting up a subsidiary with separate boards.

### Scooters:

Sederstrom stated that since he has three sons, DAH staff encouraged him to take three scooters home and repair them. Sederstrom was not able to repair the scooters, and forgot about them. Later when he remembered, he returned them.

### Conflict of Interest:

Sederstrom stated that a conflict of interest policy existed at PRM, but was applicable only to Board members.

### Tracking and Control System:

Sederstrom received a weekly running spreadsheet listing: vin number of the auto; name of person donating the auto; where (or how) the donator discovered the organization; how much the auto sold for; to whom the auto was sold. When the organization started purchasing autos at auction, these autos were also listed on the spreadsheet. Sederstrom did a physical inventory of autos purchased at auction. By law the organization (as a dealer) is required to apprise DMV that they had title to a car, every 24 hours.

Sederstrom explained that when he exchanged his 1995 Oldsmobile Aurora for the 1998 Lexus 300, he thought the cars were comparable in price and that he had negotiated an even trade. He later reimbursed the PRM an agreed amount.

Sederstrom's last day of employment with the PRM was July 28, 2006, but he continued at DAH as a paid consultant until mid September 2006.

Committee Discussion: As CFO of the non-profit organization and a licensed CPA, Sederstrom should not engage in any transaction with a client or his employer by which he receives a personal gain or benefit beyond what he is owed through his employment compensation. On June 13, 2006 Sederstrom sent an e-mail to PRM employees, J.C. and A.H., stating that a "Master Lease" between JAR and Bobby Ephrem was attached. Sederstrom also mentioned in the e-mail the intention to incorporate JAR. On August 15, 2006 Sederstrom sent an e-mail addressed to J.C. and A.H. with the subject line "RE: JAR – PRM Vehicle Assignment". Sederstrom stated in the August 15, 2006 e-mail that he would "set up a checking account today". It appears from the e-mails sent to J.C. and A.H. that Sederstrom was using his position to better himself at the expense of PRM. Sederstrom was in a position to establish a separate business because he was a senior executive decision maker with PRM. Sederstrom maintained a

relationship with two PRM employees, J.C. and A.H., for his personal benefit. It doesn't appear that setting up JAR was discussed with PRM. At a minimum, Sederstrom has a conflict of interest and professional misconduct for the activities leading up to the formation of a separate business.

Sederstrom traded his vehicle for one donated to DAH (a PRM program). The value of both vehicles was easily available and clearly reflected a disparity between the values of each. The transaction created a conflict of interest. Sederstrom benefited from a transaction that was not available to the general public. The fact that PRM employees exchanged personal vehicles with PRM as an "even exchange" does not remove the obligation of the CFO and a CPA to avoid even a perception of impropriety.

COMMITTEE RECOMMENDATION: Moved and carried to recommend a total civil penalty of \$5,600 for the following violations:

- . (\$1,500) OAR 801-030-0005(2) Integrity and Objectivity, and AICPA Rule 102 Interpretation 102-2 Conflicts of Interest: JARS LLC
- . (\$1,500) OAR 801-030-0020(1) Professional misconduct: JARS LLC
- . (\$2,000) OAR 801-030-0020(1) Professional misconduct: Auto exchange
- . (\$500) OAR 801-030-0020(1) Professional misconduct: Scooters
- . (\$100) OAR 801-030-0020(9) Notification of change of address, employer or assumed business name

**Board Discussion:** Sederstrom did not deny any of the allegations, however Sederstrom is not apologizing for anything either. Sederstrom took advantage of his position for personal gain. The Board considered a higher civil penalty for violation of integrity and objectivity.

**BOARD ACTION:** Moved by Gaffney and carried to approve the Complaints Committee recommendation.

**VOTE:** Chair Bailey voted; 4 ayes, 2 nays (Lind, Bailey) 1 excused (Johnson)

### 3. Carolyn Barker

07-05-017

Beginning in 1994 Carolyn Barker (Barker) prepared annual married, filing jointly tax returns for Husband and Wife. In 2007, Husband and Wife were in the process of divorce. Barker prepared a married filing jointly tax return for the couple. Before issuing the married filing jointly tax return, Wife requested that Barker prepare the couple's tax returns as married filing separately. Barker prepared the separate tax returns and then delivered both returns to Wife without Husband's knowledge or consent.

ALLEGED VIOLATION(S)

**OAR 801-030-0005(2) Integrity and Objectivity**

*(a) In the performance of any professional service, a licensee shall maintain objectivity and integrity and shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate the licensee's judgment to the judgment of others.*

*(b) In tax practice, however, a licensee may resolve doubt in favor of the client as long as there is reasonable support for the client's position.*

*(c) When accepting new employment or a new engagement, a licensee shall not use confidential client information in a manner that is adverse to a former client or employer. Confidential client information is any information communicated to or obtained by the licensee from a client or employer that relates to services rendered by a licensee to the client or employer.*

*(d) The Board adopts the AICPA Interpretations and Ethical Rulings relating to AICPA Rule 102 as a non-exclusive list to provide guidance to licensees, prospective licensees, the Board and members of the public.*

Wife requested that Barker change the couple's tax return from married filing jointly to married filing separately. This change was beneficial to Wife who could reduce taxable income and incur less tax liability by filing Head of Household, but Husband would incur a much greater tax liability.

Barker prepared a married filing separately tax return for Husband but did not discuss this change with Husband.

**OAR 801-030-0015(1) Confidential client information**

*(a) Prohibited disclosures. Except as provided in subsection (b) of this rule:*

*(A) No licensee or any partner, officer, shareholder, member, manager, owner or employee of a licensee, shall voluntarily disclose information communicated to or obtained by the licensee from a client or on behalf of a client if such information relates to services that the licensee rendered for the client.*

Barker prepared a married filing separate tax return for Husband and delivered Husband's tax return to Wife. When Barker delivered Husband's tax return to Wife Barker disclosed Husband's confidential information to Wife.

**SUMMARY**

**OAR 801-030-0005(2) Integrity and Objectivity**

**OAR 801-030-0015(1) Confidential client information**

Carolyn Barker and Brad Bingenheimer arrived at the meeting at 9:00 a.m. and left the meeting at 9:30 a.m. Barker stated the following:

- . Wife was the main financial spouse. There is a long history of seeing only the wife and filing jointly.
- . When wife requested that Barker file separate tax returns, Barker advised wife to inform husband. Barker felt that she did not have the obligation to inform the husband. Barker was filling separate tax returns and leaving it open to file joint returns at a later date. There was a \$1,000 tax liability difference when filing separate returns.
- . At the request of the wife, Barker contacted husband to obtain additional financial information.

- . There was a 10% penalty for premature removal of monies from an IRA. Husband was in the process of trying to get full disability to alleviate the penalties.
- . Wife advised Barker that the divorce decree would delineate payment of the tax penalties. Husband and wife had been separated since March 2006.
- . When husband requested a copy of wife's tax return, Barker advised him to seek legal counsel to obtain the records.
- . Barker had a signed engagement letter for a joint return. Barker did not know if she understood this to be one client or two.
- . In hindsight, I should have filed an extension. In the future, I will refuse to do tax returns when there is a pending dissolution. Wife filed a separate tax return and husband did not file.

Bingenheimer stated that husband willingly gave additional financial information and Barker did not give out confidential information.

Committee Discussion: During the marriage, the Wife functioned as the financial spouse. Initially Husband and Wife agreed to file a joint tax return and for that reason Husband provided financial information. Barker knew at the outset that a divorce was pending, and that filing separately would help one spouse and harm the other. Based on the Code of Ethics regarding conflicts of interest, Barker had an immediate responsibility to advise Husband that there was a conflict of interest. She also did not contact Husband to advise him that she was going to file separate tax returns. If Husband had been advised that Wife was filing a separate return, Husband would have had the opportunity to contact another CPA. Current best practice is to resign from one or the other client or get written consent if continuing to do work for both parties. Confidentiality is not an issue. COMMITTEE RECOMMENDATION: Moved and carried to recommend a \$500 civil penalty for violation of OAR 801-030-0005(2) Integrity and Objectivity and AICPA Rule 102 Interpretation 102-2, Conflict of Interest.

Barker and Bingenheimer (Boldt Carlisle & Smith CPA LLC) arrived at the B Board meeting at 10:00 a.m. Barker stated that she was engaged to do taxes for both husband and wife. At the last minute, the wife called and wanted separate returns. Barker tried to help both parties. Barker advised that the husband did not file the return that she prepared. Barker also advised that she was aware of the impending divorce.

**Board Discussion:** *Since Barker knew that clients were getting a divorce; there was an immediate conflict of interest.*

**BOARD ACTION:** Moved by Gaffney and carried to assess a \$500 civil penalty for violation of OAR 801-030-0005(2) Integrity and Objectivity and AICPA Rule 102 Interpretation 102-2, Conflict of Interest.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

### **Baker & Colson**

**07-05-015**

Baker & Colson were removed from the Consent Agenda for the sole purpose of changing Board Action from "no violation" to "no jurisdiction".

## **Contractor review and investigations**

### **4. Gary McGee**

**07-01-008**

**BOARD ACTION:** Moved by Gaffney and carried to defer until litigation is complete; do not send the "45-day" letter (*see discussion below*).

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

### **5. Merina & Company LLP**

**07-07-020**

**BOARD ACTION:** Moved by Lind and carried to defer until litigation is complete; do not send the "45-day" letter (*see discussion below*).

**VOTE:** Chair Bailey did not vote; 4 ayes, 1 abstention (Gaffney), 1 excused (Johnson)

### **6. Richard Donaca**

**07-01-009**

**Board Discussion:** *An Investigator from the Secretary of State's office, (field expert) found no violation.*

**BOARD ACTION:** Moved by Gaffney and carried to find no violation.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

### **7. Jones & Roth PC**

**07-01-010**

**Board Discussion:** *Andersen recused himself from the discussion. The Secretary of State's office has been looking at this for the past two years; they looked at fraud and they looked at SAS and they found that no professional standards were violated.*

**BOARD ACTION:** Moved by Gaffney and carried to find no violation.

**VOTE:** Chair Bailey did not vote; 4 ayes, 1 abstained (Andersen), 1 excused (Johnson)

**Board Discussion:** *The above (4,5,6,7) were forwarded to the Board office; they were all newspaper articles and they all reference audit issues. The Board needs to develop a process for dealing with the newspaper articles. Perhaps reviewing on a case-by-case basis makes more sense than developing a policy for one size fits all. If the Board chooses not to act on a newspaper article that was submitted to the Board office and there are additional problems with that particular firm, the Board of Accountancy will be in the newspaper.*

*Rives stated that newspaper articles that allude to misconduct against a CPA do not generally provide sufficient information to open a complaint. Rives suggested that in those cases, BOA send the licensee a letter reminding them of the 45-day requirement (45-day letter) to report filing of litigation, settlement or arbitration, and attach a copy of the appropriate rules. The file would then be placed on a "watch" list.*

*In previous meetings the Board discussed adding two boxes to the renewal application labeled "disclosure" and "tolling".*

**BOARD ACTION:** Moved by Gaffney and carried to add two additional boxes to the renewal application labeling them "disclosure" and "tolling".

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

## **Other**

### **8. Pauly Rogers & Company PC**

This was reviewed by a Complaints Committee Member and the recommendation is no further action.

**BOARD ACTION:** Moved by Gaffney and carried to find no violation.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

**8. REPORT OF ADMINISTRATOR**

**A. Ratify Complaint Committee Members**

**Action Required**

1. Mark Neeley, CPA
2. Patrick Richardson, CPA

**BOARD ACTION:** Moved by Andersen and carried to ratify Mark Neeley and Patrick Richardson as members of the Complaints Committee.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

3. Complaint Committee Member Terms – *information only.*

**B. IRS Treasury Department Letter**

The Internal Revenue Service has reconsidered their earlier position to not allow an Oregon Public Accountant to practice before them. An Oregon PA who qualified for and applied to take the Uniform CPA examination before January 1, 2002 will now be allowed to practice before the IRS. The Board would like to thank the OAIA for their assistance with this project.

**C. Secretary of State – Audits Division**

The Board met with Phil Hopkins from the Division of Audits at their meeting in August 2007. The Audits Division works with firms on deficiencies of a report rather than issue civil penalties. The Board requested a copy of field report letter be sent to the Board for review.

The Audits division forwarded a copy of such letter to the Board in April. The letter addressed many reporting errors that were found in an audit report prepared by the licensee. The Board reviewed the letter and requested staff to open a complaint based on the errors and violations found by the Division of Audits.

**D. Fred Carter Letter**

Mr. Carter has complied with all the terms of his Consent Order: he completed CPE; paid the civil penalty and completed a peer review.

**BOARD ACTION:** Moved by Gaffney and carried to send Carter a letter advising that Carter has met all the terms of his Consent Agreement.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

**E. Nominee for the Oswald West Award**

The Board received a letter from a licensee recommending Dean Baker for the Oswald West award. Mr. Baker was a licensed CPA until he retired in 1996. He continues to help the community and local businesses and has demonstrated all the qualities of someone who has a high regard to the integrity of the profession.

**BOARD ACTION:** Moved by Gaffney and carried to grant the Oswald West Award to Dean Baker.

**VOTE:** Chair Bailey voted 6 ayes, 1 excused (Johnson)

**9. PUBLIC COMMENTS**

None

**10. REPORT OF OAIA**

Ms. Funkhouser reported the OAIA is trying to recruit membership. They have been watching the UAA and mobility as well as the potential of a national license. The OAIA has CPE available through June and then beginning again in September.

**11. REPORT OF OSCPA**

Janice Essenberg, OSCPA reported that the OSCPA and the Board are still working on the mobility issues through the task force and also working with Phil Hopkins with the Division of Audits. Town Hall meetings have been scheduled beginning September 17. Board members are encouraged to attend the meetings held in their area.

**12. OLD BUSINESS**

None

**13. CONTINUING PROFESSIONAL EDUCATION**

**A. Report of CPE Committee**

**1. April 29, 2008**

**BOARD ACTION:** Moved by Morris and carried to accept the Continuing Professional Education minutes dated April 29, 2008.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

**B. Consent Agenda**

**1. Recommendations**

\*a. Mindy S. Markman, Deny

**2. Municipal Auditor Applications**

- a. Kevin J. Gienger, Accept
- b. Mindy Davis, Defer
- c. Jared J. Zeygart, Accept
- d. Mandy I. Born, Accept
- e. Peggy Layman, Accept
- f. Brian C. Harrington, Accept
- g. Debbie L. Smith, Accept

**BOARD ACTION:** Moved by Morris and carried to accept the Consent Agenda.

**VOTE:** Chair Bailey did not vote; 5 ayes, 1 excused (Johnson)

***Board Discussion:** Mr. Morris advised the Board the CPE Committee is having a difficult time with the way that applicants are allocating the program hours on the Municipal application. The Board and the OSCPA put a CPE grid together a few years ago as a tool for applicants. The programs that are now available, including self-study, has grown and it appears that the grid is no longer as useful as it has been previously.*

*The Board requested staff to obtain the common programs that are being completed to obtain a Municipal Auditor permit. Once this information has been assembled, the Board would like the committee to review the information and determine the hours the program has in the different subjects. The OSCPA has volunteered to help in the review.*

**C. Items Removed from Consent Agenda**

**1. B.1.a. Mindy S. Markman, deny**

In April 2007, Ms. Markman received an Oregon reciprocal license based on her CPA license in California. Before Ms. Markman relocated in Oregon, she purchased independent CPE programs from the *Association of Certified Fraud Examiners*, which is not a NASBA QAS approved provider. She requested credit for 20 hours.

**Committee Discussion:** *The Board's policy to restrict self-study CPE programs to NASBA QAS approved programs was based on the lack of quality control for self-study programs. Licensees receive a copy of the Oregon Administrative rules along with a congratulations letter with CPE detail when they become licensed in Oregon. If a licensee is uncertain of the CPE requirements, they should know to review the rules or call the state Board of Accountancy for assistance. The committee suggested that information about the NASBA QAS requirement be added to the congratulations letter for new licensees.*

**Committee Recommendation: Deny,** self-study programs are required to be NASBA QAS approved. This recommendation is consistent with prior decisions.

**Board Discussion:** *Board rules do not contemplate a waiver for QAS and the Board intends to be consistent in the QAS requirement for independent study programs.*

**BOARD ACTION:** Moved by Morris and carried to accept the committee recommendation.

**VOTE:** Chair Bailey voted 6 ayes, 1 excused (Johnson)

**14. PEER REVIEW OVERSIGHT**

**A. No meeting held**

**15. QUALIFICATIONS COMMITTEE**

**A. Report of Qualifications Committee**

**1. Acceptance of Minutes**

**a. April 21, 2008**

**BOARD ACTION:** Moved by Newhouse and carried to approve the minutes from the April 21, 2008 meeting.

**VOTE:** Chair Bailey voted 6 ayes, 1 excused (Johnson)

**B. Consent Agenda**

**BOARD ACTION:** Moved by Newhouse and carried to approve the applications presented.

**VOTE:** Chair Bailey voted 6 ayes, 1 excused (Johnson)

**1. Recommendations**

**a. Donald Beebe 08-01-002**

Mr. Beebe gained his experience with the following employer:

The Standard 29 mos. All competencies

Mr. Beebe passed the CPA exam on August 28, 2006. The applicant is the senior financial and accounting analyst at Standard. Mr. Selid indicated by email prior to the meeting, that the write-up sufficiently demonstrated that the applicant met the seven core competencies.

**COMMITTEE RECOMMENDATION:** Mr. Selid recommends approval.

**Vote:** 7 ayes; 1 absent (Selid)



**f. Beverly Lee**

**08-02-004**

Ms. Lee gained her experience with the following employer:

OSU Chancellor 17.5 mos. All competencies

Ms. Lee passed the CPA examination on August 31, 2007. Ms. Santiago reported that the documentation provided was very well written and should be used as an example for others to follow. The applicant has clearly demonstrated that each competency has been met.

**COMMITTEE RECOMMENDATION:** Ms. Santiago recommends approval.

**Vote:** 7 ayes; 1 absent (Selid)

**g. Lisa Nearing**

**08-02-005**

Ms. Nearing gained her experience with the following employer:

PeaceHealth 28 mos. All competencies

Ms. Nearing passed the CPA examination in November 1999. Ms. Nearing gained her experience as a full time accounting analyst for PeaceHealth. Mr. Selid reviewed the documentation provided and reported via email prior to the meeting that he believes the applicant has demonstrated competency in all seven core areas.

**COMMITTEE RECOMMENDATION:** Mr. Selid recommends approval.

**Vote:** 7 ayes, 1 absent (Selid)

**h. Kenneth Sheppard**

**08-03-009**

Mr. Sheppard gained his experience with the following employer:

Dayton Water Systems 20 mos. All competencies.

Mr. Sheppard passed the CPA examination in October 2006. Mr. Rawls reviewed the documentation sent and believes the applicant has satisfactorily satisfied the competency requirement in all seven areas.

**COMMITTEE RECOMMENDATION:** Mr. Rawls recommends approval.

**Vote:** 6 ayes; 2 absent (Santiago, Selid)

**2. Other**

**3. Approval of Applications**

**1. Approval of Applications**

**a. CPA Certificates/Permits**

95 CPA Applications

**b. PA Licenses/Permits**

None

**c. Firm Registrations**

52 Firm Applications

**d. Substantial Equivalency Approval**

25 Substantial Equivalency Authorizations

**C. Items Removed from Consent Agenda**

**None**

**16. CPA EXAM**

**A. 2007 Top Scores**

The Board reviewed the list of top scores in Oregon for 2007. The candidates were recognized at the OSCPA Circle of Excellence Banquet.

**BOARD ACTION:** Moved by Gaffney and carried to accept the top scores on the CPA exam for 2007.

**VOTE:** Chair Bailey voted 6 ayes, 1 excused (Johnson)

**B. CBT Statistics**

For information only

**C. New CBT Sites in Oregon**

A new testing site in Redmond, Oregon is under consideration. Final approval has not occurred.

**17. CODE OF PROFESSIONAL CONDUCT**

**A. Report of Professional Conduct Committee**

No meeting held.

**18. NEW BUSINESS**

**A.** Mr. Andersen would like to change the process for which CPA wall certificates are issued. Currently the Board issues the smaller size certificates to new licensees and then gives them an opportunity to order for an additional \$15 fee the larger size. Mr. Andersen with the Board's support, would like a check box on the certification application asking the applicants to choose up front which size they would like, which would reduce mailing, and cut reprinting costs.

**19. PROCESS OBSERVER REPORT**

Mr. Lind reported that both Vice Chair Andersen and Chair Bailey did a great job on keeping the meeting going.

**20. NEXT MEETING**

Date: August 18, 2008  
Location: Board of Accountancy  
3218 Pringle Road SE #110  
Salem, OR 97302  
Time: 8:00 a.m.

**21. ADJOURNED**

There being no further business, the meeting adjourned at 3:40 p.m.