

OREGON BOARD OF ACCOUNTANCY
Minutes, May 21, 2007

3218 Pringle Road SE #110

Salem OR 97302

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

Board Members Present

Lynn Klimowicz, CPA, *Chair*
Kent Bailey, CPA, *Vice-Chair*
Jens Andersen, CPA, *Treasurer*
Stuart Morris, PA
James Gaffney, CPA
Ray Johnson, CPA
Eric Lind, *Public Member*

Staff Members

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

Guests

Jeffrey Dover, *Asst. Attorney General*
Scott Wright, *OSCPA Representative*
Ivan Besemann, *OAIA Representative*

1. CALL TO ORDER

A quorum being present, Chair Klimowicz called the meeting to order at 10:00 a.m. Eric Lind was appointed process observer.

2. APPROVAL OF MINUTES

- A. February 5, 2007, Board Meeting**
- B. March 22, 2007, Special Board Meeting**
- C. April 5, 2007, Special Board Meeting**

***Board Discussion:** Mr. Andersen advised the Board that after the February 5 Board meeting he became aware of a conflict of interest with regard to the complaint investigations of Michael Holland and Holland & Brooks LLP (agenda items 6.A.2.b and 6.A.2.c. February 5, 2007). Mr. Holland is the chair for an audit client of Mr. Andersen's firm. Mr. Andersen requested that his vote on both items be withdrawn. Mr. Andersen's vote shall be recorded as abstained. The outcome of the February 5 vote on these cases is unaffected by the withdrawal of Andersen's vote.*

Three Board members requested that the minutes be corrected to reflect that each of them were recused and abstained from voting in the matter of Talbot Korvola Warwick LLP (7.C.1. based on a conflict of interest. Mr. Gaffney is employed by the firm that is the successor auditor in the matter that was under consideration by the Board. Mr. Johnson was an expert witness in civil litigation relating to the case and Mr. Lind's employer was involved in the civil litigation.

BOARD ACTION: Moved by Gaffney and carried to approve the February 5, 2007, March 22, 2007 and April 5, 2007 Board meeting minutes as corrected.

VOTE: Chair Klimowicz did not vote; 5 ayes; 1 excused (Johnson)

3. REPORT OF CHAIR

A. 2007 NASBA Western Regional Meeting

The regional conference is scheduled June 20 to 22 in Colorado Springs, Co. Mr. Bailey and Mr. Johnson will attend this meeting.

4. REPORT OF VICE CHAIR

A. Fall 2007 Work Session

The fall work session is scheduled October 7 and 8 at Gleneden Beach.

B. Action from Work Session

1. Enforcement Database Development

Board members reviewed formats used by other states to display enforcement information on the website and developed the following protocol for the Oregon web interface application:

- On-line information will include disciplinary actions that occurred in the year 2000 and after. License revocations and suspensions shall be included no matter when they occurred.
- All disciplinary actions will be published so that a member of the public can make an informed decision based on all information available. This includes actions that the Board describes as “administrative” i.e. change of address, failure to respond to Board communications, failure to renew a firm registration or individual license.
- Disciplinary information will remain on the web site indefinitely.
- Scanned copies of the Notice and Final Order relating to a disciplinary action will be available on the website during the second phase of the project
- Information that the authority for civil penalties was increased from \$1,000 to \$5,000 in January 2000 should be included in the Board disclaimer section, to explain the reason current civil penalties are higher than those issued for violations that occurred prior to 2000.

2. Fingerprint Requirements

Based on work session review and discussion, staff is directed to develop administrative rules, policies and procedures to require initial exam candidates and initial licensees to submit fingerprint samples to the Board for the purpose of conducting criminal background checks prior to examination or issuance of a license. The Board will select a random number of current licensees each year who will be required to submit fingerprint samples for criminal background checks. The cost of the background check will be paid by licensees. All Board and staff members will be fingerprinted.

BOARD ACTION: Moved by Bailey and carried to proceed with drafting administrative rules and policy for review at the next Board meeting.

VOTE: Chair Klimowicz voted, 7 ayes

3. Cost Recovery

Based on the discussion of cost recovery authority for investigations during work session, the Board directed staff to draft administrative rules to be reviewed at the August meeting. The Board will seek recovery of all costs related to a disciplinary action, with the exception of costs related to the Board investigator, as described in the minutes of the May 20, 2007 Work Session. Cost recovery is only authorized for causes on which the Board prevails. Multiple causes in a single action will be proportionately allocated for the purpose of cost recovery if the Board does not succeed on each cause stated.

BOARD ACTION: Moved by Bailey and carried to develop policy or administrative rules for cost recovery.

VOTE: Chair Klimowicz voted, 7 ayes.

5. REPORT OF TREASURER

Andersen reviewed the March 2007 financial report and noted that revenues are \$353,428 over projections and expenditures are \$50,214 under projections.

BOARD ACTION: Moved by Andersen and carried to approve the financial reports.

VOTE: Chair Klimowicz voted; 7 ayes

6. LEGAL

A. REPORT OF LEGAL ITEMS

1. Proposed orders after hearing

a. David T. Wilson

David Wilson (Wilson) agreed to prepare tax returns for Client and her mother (Mother). Wilson delayed preparation of Mother's tax return and did not respond to Client's telephone messages or e-mails. The Board issued a Notice of Proposed Civil Penalty of \$6,000 for the following violations:

OAR 801-030-0015(2) Client records and working papers (\$2,500);

OAR 801-030-0020 (1) Professional misconduct (\$2,500);

OAR 801-030-0020(7) Board communications and investigations (\$1,000).

A hearing was held January 3, 2007 and Proposed Order issued by the Administrative Law Judge.

BOARD ACTION: Moved by Bailey and carried to adopt the ALJ Proposed Order assessing a \$6,000 civil penalty for violations as follows:

\$2,500 civil penalty - OAR 801-030-0015(2)(b) Client records and working papers

\$2,500 civil penalty - OAR 801-030-0020(1) Professional misconduct

\$1,000 civil penalty - OAR 801-030-0020(7) Board communications and investigations

VOTE: Chair Klimowicz voted; 7 ayes

b. Gerry McReynolds

Deferred; Administrative Hearing was held April 24, 2007; the Board has not received the ALJ proposed order.

2. Proposed Consent Orders

a. William Wyly, dba General Business Solutions

General Business Solutions (Company) is not a registered public accounting firm in Oregon. Company issued reports on financial statements for Clients on June 28, 2004, February 25, 2005, March 26, 2005 and May 10, 2005. The reports issued by Company did not include ORS chapter 673.325 safe harbor language. The Board issued a Notice of Proposed Civil Penalty in the amount of \$10,000 (\$5,000 x 2) for violations of ORS 673.320(1) plus a civil penalty in the amount of \$20,000 (\$5,000 x 4) for violations of ORS 673.325, and issue an Order to Cease and Desist. Wyly requested a hearing. The Board reviewed a proposed Consent Order from Wyly's attorney.

Board Discussion: *The proposed consent order concedes that Wyly issued the*

reports, but denies that it was a violation of ORS 673.320, and requests a reduced penalty.

BOARD ACTION: Moved by Bailey to approve a consent order finding six violations with a civil penalty of \$1,000 each; the Board will approve a payment plan of \$500 per month for 12 consecutive months (beginning June 15, 2007) plus interest at the statutory rate of 9% on the unpaid balance.

VOTE: Chair Klimowicz voted; 7 ayes

b. Harkcom & Harkcom

A Litigation Monitoring Agreement was issued June 30, 2004. The Board was notified of a settlement agreement on August 15, 2005.

First National Insurance Company of America, Inc (First National) provided bonding services for a client of Harkcom & Harkcom (Firm). First National filed a civil suit against Firm when Firm's client failed to perform under a construction contract.

The Board issued a Notice assessing 16 hours of CPE in Accounting and Auditing for each licensee (Larry and Laura); pre-issuance of all attest and compilation financial statements for a period of one year and a \$5,000 civil penalty for each of the following violations of OAR 801-030-0010(1) Competence and Technical Standards, for a total civil penalty of \$20,000:

- Performing inadequate analytical procedures in review engagement (\$5,000)
- Making inadequate inquiries in performance of review engagement (\$5,000)
- Issuing incorrect opinion in review report (\$5,000)
- Inadequate calculation of work in progress (\$5,000)

Board Discussion: *A settlement proposal submitted by Harkcom & Harkcom, P.C. includes the following provisions: Harkcom & Harkcom agrees not to perform attest services, will stipulate to three violations (removing the finding in paragraph 17b of the Notice), assessment of a total civil penalty of \$15,000, payment of \$7,500 of the total penalty, and the remaining \$7,500 stayed for two (2) years contingent upon no violations during that period. CPE and Pre-issuance review requirements to be required only if Harkcom & Harkcom provides attest services in the future.*

BOARD ACTION: Moved by Bailey and carried to assess a civil penalty of \$15,000, require payment of \$7,500 of the total penalty, and the remaining \$7,500 to be stayed for three (3) years contingent upon no violations during that period. The firm will not perform attest or compilation services; if the firm performs attest or compilation services, an additional 16 hours of CPE in GAAP disclosures and two (2) pre-issuance reviews with no significant comments will be required before the firm issues attest or compilation reports.

VOTE: Chair Klimowicz voted; 7 ayes

c. Talbot Korvola & Warwick

On February 5, 2007, the Board assessed a \$3,000 civil penalty for violation of OAR 801-030-0010(2) Accounting Standards – failure to exercise adequate professional skepticism.

Board Discussion: *The Board considered a proposed Consent Order from TKW. Johnson, Gaffney and Lind requested to be recused from the discussion based on conflicts. Johnson was an expert witness in the civil case, Gaffney (Moss Adams)*

is the successor auditor to the client, and Lind has a banking relationship with the client.

BOARD ACTION: Moved by Bailey and carried to approve the Consent Order assessing a \$3,000 civil penalty.

VOTE: Chair Klimowicz voted; 4 ayes, 3 abstained (Johnson, Gaffney, Lind).

d. Jerry Dunning

The Board issued a Notice of Proposed Civil Penalty for \$5,100 for violations of OAR 801-030-0020(1) and OAR 801-030-0020(9). A pre-hearing conference was held on April 30, 2007. The Administrative Law Judge approved a continuance of the administrative hearing for a period of one year to allow Dunning to recover from a serious medical condition. Dunning is required to periodically report to the Administrative Law Judge during the continuance.

B. Other

1. Licensee Applicant (#1) Criminal Conviction

The Board received an application for CPA certificate and permit to practice public accounting. The applicant reported a felony conviction in 2001 and provided information regarding the conviction.

Board Discussion: *The Board requested additional information.*

2. Licensee Applicant (#2) Criminal Conviction

The Board received an application for CPA certificate and permit to practice public accounting. The applicant reported a felony conviction. Dover provided a copy of the indictment. The Board requested information about applicant's military record.

Board Discussion: *Defer.*

3. Dennis Cuning Letter

The Board reviewed a written article that Cuning submitted as a requirement of a Consent Order. The article discusses ethics and the significance of ORS 673.320(3) and (5).

BOARD ACTION: Moved by Gaffney and carried to accept the article and to notify Mr. Cuning that it meets the requirements of the Consent Order.

VOTE: Chair Klimowicz voted; 7 ayes

4. Seydel Lewis Poe Moeller & Gunderson

The Board reviewed the independent accountant's report applying agreed-upon procedures for five pre-issuance engagements of various sizes and scope performed by Seydel Lewis Poe Moeller & Gunderson, LLC.

Board Discussion: *Andersen requested to be recused from the discussion based on a conflict: Andersen's Firm (Jones & Roth) conducted the agreed upon procedures, and stated that he would abstain from voting. Bailey announced a conflict that prevented him from the discussion and from voting in this matter. Bailey's Firm (Guyer Lindley Bailey & Martin) is located 45 miles from Seydel Lewis Poe Moeller & Gunderson.*

The Board concurred that the pre-issuance report reflects significant problems with Seydel Lewis Poe Moeller & Gunderson audits. The Board discussed reviewing all of the firm's audits for an additional period of time.

BOARD ACTION: Moved by Johnson and carried to have Rives contact Seydel Lewis Poe Moeller & Gunderson, LLC and request the firm to agree to a new consent order under which Seydel agrees to have pre-issuance review of all audits for one year. The pre-issuance reviews will be conducted by an independent reviewer, who will submit reports to the Board. Each report will include pre-issuance review of five audits. After one year, the Board will revisit this requirement.

VOTE: Chair Klimowicz voted; 5 ayes, 2 abstained (Andersen, Bailey)

7. COMPLAINTS

A. Report of Complaints Committee

1. Acceptance of Minutes

BOARD ACTION: Moved by Bailey and carried to accept the April 27, 2007 minutes and to approve the Consent Agenda adding 7.C.5. Stephan Sykes 07-04-014 to the consent agenda.

VOTE: Chair Klimowicz voted; 7 ayes

B. Consent Agenda

1. Recommendations

a. * Stephan Sykes	04-09-081
b. Mark E. Landstrom	05-11-034
c. Brian Vaughan	06-01-004
d. Casey M. Moore	06-02-007
e. David W. Chambers	06-03-009
f. Lance Barrett	06-04-012
g. Jay Rathe	06-05-022
h. George Grayson	06-07-034
i. Gary Stapleton (<i>deferred</i>)	06-08-037
j. * Terri Cook	07-01-003
k. * Jiryis Alyateem dba US Tax Services	07-01-006
l. * Angela K Gore	07-02-011
m. William Holmes	06-06-030
n. * Stephan Sykes	07-04-014

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

C. Items Removed from Consent Agenda

1. Stephan Sykes 04-09-081

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.

ALLEGED VIOLATIONS:

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

Sykes did not complete services to Client with due professional competence when Sykes did not issue Cumulative Statements on Income and Expenses, and Balance Sheets, did not respond to Client's request to discuss Client's accounting and tax questions, and did not respond to Client's questions about a \$10,000 difference in Client's 2002 tax return.

Sykes did not provide evidence that he prepared 2003 tax extensions for Client.

OAR 801-030-0015(2)(b)(B) (2004 edition) Requested records Licensees are required to furnish the following records to a client or former client, upon request, within a reasonable time after such request:

(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.

Sykes prepared or should have prepared extensions for Client's 2003 tax returns. Client requested copies of the 2003 extensions not otherwise available to Client. Sykes did not send Client copies of the 2003 tax returns after Client's request.

Client notified Sykes that she retained the services of Charles Young, CPA and authorized Sykes to correspond with Young. Client requested that Sykes send Young copies of general ledgers and journal entries. Sykes did not send Young copies of general ledgers and journal entries.

Young requested Client's documents from Sykes. Sykes did not provide Young with the requested documents.

**OAR 801-030-001(2)(d(C) and (D) (2004 edition)
Custody and disposition of working papers**

C) A licensee shall adopt reasonable procedures for the safe custody of working papers and shall retain working papers for a period sufficient to meet the needs of the licensee's practice and to satisfy applicable professional standards and pertinent legal requirements for record retention.

(D) A licensee shall retain working papers during the pendency of any Board investigation, disciplinary action, or other legal action involving the licensee. Licensees shall not dispose of such working papers until notified in writing by the Board of the closure of the investigation or until final disposition of the legal action or proceeding if no Board investigation is pending.

Board requested that Sykes submit copies of all documents prepared and issued for or on behalf of Client and Client's business entities including all file documents, work papers, time and billing reports and invoices associated with Client and Client's business entities.

Sykes submitted copies of tax returns and invoices for Client's businesses. Sykes did not submit any other documents. In accordance with Agreement, Sykes should have provided Client with complete copies of Client's personal 2002 tax return. Sykes submitted only Schedule C of Client's personal 2002 tax return.

Sykes did not retain working papers during the pendency of this investigation. In the alternative, Sykes did not adopt reasonable procedures for the safe custody of working papers or retain working papers for a period sufficient to meet the needs of Sykes' practice and to satisfy applicable professional standards.

801-030-0020 (1) Professional misconduct.

(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.

Sykes entered into an Agreement to provide services to Client. Sykes did not issue Cumulative Statements on Income and Expenses, and Balance Sheets, did not respond to Client's request to discuss Client's accounting and tax questions in accordance with agreement.

Sykes ceased providing services to Client after April 20, 2004 without "written notice of cancellation at least 30 days before the expiration of the year's service", as required by Sykes "Agreement for Accounting and Tax Service".

Sykes' Agreement described in paragraph 5 is written in a font estimated at 8 point, smaller than the majority of the font used in Agreement.

INVESTIGATOR SUMMARY

OAR 801-030-0010(1) Competence.

Did not competently complete service and did not comply with tax deadlines

OAR 801-030-0015(2)(b)(B) (2004 edition) Requested records

Did not provide requested records

OAR 801-030-001(2)(d)(C) and (D) (2004 edition)

Custody and disposition of working papers

Did not retain working papers

OAR 801-030-0020(1) Professional misconduct.

Did not comply with the terms of Licensee's Agreement for Accounting and Tax Services

Committee Discussion: The Board requested documents from Sykes on three separate occasions. Sykes did not respond and did not submit the documents requested by the Board. Sykes did not inform the Board whether or not he has possession of the documents.

COMMITTEE RECOMMENDATION: Assess a total civil penalty of \$21,000 as follows:

- \$5,000 OAR 801-030-0010(1) Competence
- \$5,000 OAR 801-030-0015(b) Requested records
- \$5,000 OAR 801-030-0015(d) Custody and disposition of working papers
- \$5,000 OAR 801-030-0020(1) Professional misconduct
- \$1,000 OAR 801-030-0020(7)(b)(A) Non response to Board communication (letter dated 2/12/07)

Board Discussion: The Board reviewed the investigation report and concurred with the Committee recommendation.

BOARD ACTION: Moved by Bailey and carried to issue a total civil penalty of \$21,000 as follows:

- \$5,000 OAR 801-030-0010(1) Competence
- \$5,000 OAR 801-030-0015(b) Requested records
- \$5,000 OAR 801-030-0015(d) Custody and disposition of working papers
- \$5,000 OAR 801-030-0020(1) Professional misconduct
- \$1,000 OAR 801-030-0020(7)(b)(A) Non response to Board communication (letter dated 2/12/07)

VOTE: Chair Klimowicz voted; 7 ayes

2. 7.B.1.j. Terri Cook

07-01-003

Terri Cook (Cook) is the Secretary of the AA Institute (AAI). AAI lists Cook as a CPA on their webpage. Cook does not hold a CPA permit in Oregon. Cook holds a lapsed license in Washington State.

ALLEGED VIOLATIONS:

ORS 673.320(3) Permit or registration

A person shall not assume or use the title or designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card or device tending to indicate that the person is a certified public accountant, unless the person holds a valid certificate of certified public accountant issued under ORS 673.040 and a permit issued pursuant to ORS 673.150.

Cook used the CPA designation on the webpage for AAI without having an active CPA permit in Oregon.

INVESTIGATOR SUMMARY

ORS 673.320(3) Permit or registration

Use of the CPA designation without a permit

Committee Discussion: The CPA designation was used to enhance her credibility. She did not self-report.

COMMITTEE RECOMMENDATION: The committee recommends a \$500 civil penalty for violation of ORS 673.320(3), use of the CPA designation without a permit.

Board Discussion: Cook removed the CPA designation from the webpage.

BOARD ACTION: Moved by Bailey and carried to assess a \$500 civil penalty for violation of ORS 673.320(3), use of the CPA designation without a permit.

VOTE: Chair Klimowicz voted; 7 ayes

3. 7.B.1.k. Jiryis Alyateem dba US Tax Services 07-01-006

US Tax Services (Firm) was not registered with the Board of Accountancy when Firm distributed a flyer advertising tax, accounting and CPA services in Sherwood, Oregon. US Tax Services is owned by Jiryis N. Alyateem, CPA (Alyateem).

ALLEGED VIOLATIONS:

ORS 673.320(4) Permit or registration

A business organization shall not assume or use the title or designation "certified public accountant" or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card or device tending to indicate that the business organization is composed of certified public accountants, unless the business organization is registered under ORS 673.160.

On January 12, 2007 US Tax Services mailed 2,640 flyers to Oregon businesses and individuals that advertised tax, accounting and CPA services. The firm was granted registration on January 29, 2007.

Firm mailed the flyer advertising tax, accounting and CPA services prior to the date the Firm registration was issued.

INVESTIGATOR SUMMARY

ORS 673.320(4) Permit or registration

The firm registration was not approved and issued prior to the date that an advertising flyer was mailed.

Committee Discussion: The advertisement used the designation "Certified Public Accountants". The plural form of Certified Public Accountant indicates to the reader that more than one CPA works for US Tax Services.

COMMITTEE RECOMMENDATION: The committee recommends assessing a civil penalty of \$100 for violation of OAR 801-030-0020(4), use of plural "Accountants".

Board Discussion: There was no discussion.

BOARD ACTION: Moved by Bailey and carried to accept committee recommendation to assess a \$100 civil penalty for violation of OAR 801-030-0020(4) use of plural "Accountants".

VOTE: Chair Klimowicz voted; 7 ayes

4. 7.B.1.l. Angela K. Gore 07-02-011

Angela Gore (Gore) is an assistant professor at the University of Oregon. Gore's resume, titled "Angela K. Gore, Ph.D., CPA" was posted on the University website. Gore does not hold a CPA permit in Oregon.

ALLEGED VIOLATIONS:

ORS 673.320(3) Permit or registration

A person shall not assume or use the title or designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card or device tending to indicate that the person is a certified public accountant, unless the person holds a valid certificate of certified public accountant issued under ORS 673.040 and a permit issued pursuant to ORS 673.150.

Gore used the CPA designation in the title of her resume that was posted on a University of Oregon webpage. Gore did not hold an active CPA permit in Oregon or in any other state.

INVESTIGATOR SUMMARY

ORS 673.320(3) Permit or registration

Use of the CPA designation without an active Oregon permit

Committee Discussion: Gore used the CPA designation to enhance the credibility of her articles and publications. When Gore received the complaint, she removed the CPA designation from the University of Oregon's website. It might be advisable to send a letter to all accounting departments at the universities in Oregon to inform them about the use of the CPA designation if unlicensed, or alternatively add the information to BOA's website and/or newsletter.

COMMITTEE RECOMMENDATION: The committee recommends assessing a \$1,000 civil penalty for violation of ORS 673.320(3), use of the CPA designation without an Oregon permit.

Board Discussion: *There was no discussion.*

BOARD ACTION: Moved by Bailey and carried to accept committee recommendation to assess a \$1,000 civil penalty for violation of ORS 673.320(3), use of the CPA designation without an Oregon permit.

VOTE: Chair Klimowicz voted; 7 ayes

5. 7.B.1.n. Stephan Sykes

07-04-014

Moved to Consent Agenda

8. REPORT OF ADMINISTRATOR

A. Legislative

1. Bill Updates

SB 748 and HB 2079 have passed both chambers of the legislature and are waiting for the governor's signature. It is anticipated that HB 2252 will pass both chambers and that the governor will also sign this bill.

B. Record Retention Rule Inquiry

Current administrative rules require licensees to maintain attest records for seven years. The statute indicates that Board rules cannot require a longer retention period than what the industry standards require. The Board directed staff to revise the OAR to comply with industry standards and bring to the August Board meeting for approval.

C. Oregon 150 Sesquicentennial

This item is informational only.

D. Holding Out in OSCPAs Membership Directory

The Board received a letter from a current licensee asking if the Board would find a violation for a licensee who is not active, but is listed as a CPA in a publication that is published by a third party (the OSCPAs membership website). Licensees may change their status with the Board of Accountancy to inactive or lapsed, but membership organizations may not require notice of the changed license status. If a membership directory is published, the previous designation may still be associated with the licensee without the licensee's knowledge. It was also noted that the OSCPAs website directory may only be accessed by members and is not available to the public. Mr. Wright said he would take this concern to the OSCPAs.

9. PUBLIC COMMENTS

None

10. REPORT OF OAIA

The OAIA will hold its tri-state educational convention in June at the Inn at 7th Mountain. The national convention is scheduled for the third week in August in Portland.

11. REPORT OF OSCPAs

Mr. Wright is the vice-chair for the association this year and will be the Board liaison. The OSCPAs is very pleased in the outcomes of recent issues that they have worked on with the Board. The OSCPAs has four representatives in Washington, DC this week for the AICPA conference.

12. OLD BUSINESS

A. Jim Pike Letter

Information only – Pike completed 358 2006 tax returns.

B. Sherry v. Board of Accountancy, appeal

Information only - Sherry sought judicial review of a final order which assessed a civil penalty and required Sherry to attend additional hours of ethics CPE for advertising a "money back guarantee". The Board concluded that Sherry performed services pursuant to the terms of the advertisement and that the terms of the advertisement constitutes a contingent fee arrangement in violation of OAR 801-030-0005. The Appeals Court affirmed Board's order.

C. Gwendolyn S. Wolfe - Special Review Results

The Board reviewed an independent accountant's report applying agreed-upon procedures for five pre and post-issuance engagements performed by Gwendolyn S. Wolfe.

Board Discussion: *The Board agrees there are significant issues with the pre and post-issuance reviews. The Board discussed reviewing all of Wolfe's audits for an additional period of time. The Board suggested an article in the BOA newsletter regarding special reviews required by the Board.*

BOARD ACTION: Moved by Johnson and carried to ask Wolfe to agree to a Consent Order under which she would obtain pre-issuance reviews of all compilations and attest engagements for a period of one year. The terms would require the reviewer to submit to the Board a report on these reviews after completion of every five (5) engagements. After a period of one year, the Board would revisit the requirement.

VOTE: Chair Klimowicz voted; 7 ayes

D. Todd Knapp - Special Review Results

Information only – The Board reviewed an independent accountant's report applying agreed-upon procedures for two pre and post-issuance engagements.

Board Discussion: *There are no significant comments in the reviewer's report. The Board agreed that since Knapp reported that he is no longer performing compilations or attest services, he is not required to have Peer Reviews. If in the future Knapp offers compilation or attest services, Knapp will be required to continue with the requirements of the consent order to obtain peer review.*

E. Gregor Professional Corp.

The Board reviewed a letter from Gregor dated April 17, 2007 in which Gregor requested modifications to the Special Review Requirements stated in Consent Order CO-16-136. Gregor requested that the Board change the requirement of the Consent Order from pre-issuance audit reviews to post-issuance audit reviews. The Board discussed Gregor's request to modify the Consent Order and noted that William Moss is a qualified Peer Reviewer.

BOARD ACTION: Moved by Bailey and carried to accept William Moss as Reviewer and to decline the request to modify CO-06-136 to require post issuance reviews instead of pre-issuance reviews as currently provided in the Consent Order.

VOTE: Chair Klimowicz voted; 7 ayes

13. CONTINUING PROFESSIONAL EDUCATION

A. Report of CPE Committee

1. Acceptance of Minutes

a. April 24, 2007

BOARD ACTION: Moved by Morris and carried to accept the Continuing Professional Education minutes dated April 24, 2007.

VOTE: 7 ayes

B. Consent Agenda

1. Recommendations

*** a. Revisions to Minimum Standards**

b. Municipal Auditor Applications

1. Thomas Dingus

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

VOTE: 7 ayes

C. Items Removed from Consent Agenda

1. 13.B.1.a. Revisions to Minimum Standards

This is informational only.

D. Expanded Professional Conduct and Ethics Requirement

The CPC and CPE Committee met last year and made some recommendations to the Board. The Board charged the CPE Committee with following through on the suggestion of an Oregon specific professional conduct and ethics program for new and reciprocal license applicants. The Board would like this item added to the CPE agenda and an update at the August Board meeting.

14. PEER REVIEW OVERSIGHT

A. Report of Peer Review Oversight Committee

1. Acceptance of Minutes

a. May 1, 2007

BOARD ACTION: Moved by Andersen and carried to accept the Peer Review Oversight minutes dated May 1, 2007. Andersen noted that Parry Ankersen requested a leave of absence from the Peer Review Committee.

VOTE: Chair Klimowicz voted; 7 ayes

B. Items Removed from Consent Agenda

1. Peer Review Waiver Request

The Board reviewed a letter from a licensee dated February 27, 2007 requesting waiver of the Peer Review requirement stating that licensee performed only one audit and that licensee is limiting his practice to taxes and payroll services. The PROC Committee recommended denial of the request.

BOARD ACTION: Moved by Andersen and carried to accept the Peer Review Oversight recommendation and deny the request to waive the Peer Review requirement. The licensee needs to have Peer Review of the audit performed.

VOTE: Chair Klimowicz voted; 7 ayes

15. QUALIFICATIONS COMMITTEE

A. Report of Qualifications Committee

1. Acceptance of Minutes

a. February 16, 2007

BOARD ACTION: Moved by Gaffney and carried to approve the minutes of February 16, 2007.

VOTE: Chair Klimowicz voted, 7 ayes.

b. April 27, 2007

BOARD ACTION: Moved by Gaffney and carried to approve the minutes of April 27, 2007.

VOTE: Chair Klimowicz voted, 7 ayes.

B. Consent Agenda

1. Recommendations

a. Yvette Burling

06-12-024

Ms. Burling gained her experience with the following employer:

Regence Group 29.5 mos All competencies

Ms. Burling passed the CPA Exam in November 1998. The applicant is responsible for maintaining asset management system, capital asset transactions, account reconciliations and various other duties while employed at The Regence

Group. The reviewer is confident that Ms. Burling has met the seven core competencies.

COMMITTEE RECOMMENDATION: Mr. Ashford moved and it was carried to recommend approval of the CPA Certificate application for Ms. Burling. Vote: 7 ayes

b. Karen Hardy **07-01-004**

Ms. Hardy gained her experience with the following employer:

Teleperformance USA 91 mos All competencies

Ms. Hardy passed the CPA exam on May 15, 2006. Ms. Hardy is the corporate controller at Teleperformance and the supervisor licensee states that she has developed substantial experience with several different entities of various sizes and complexities. The reviewer is satisfied that the experience gained by Ms. Hardy meets the requirements for certification.

COMMITTEE RECOMMENDATION: Moved by Selid and carried to recommend approval of Karen Hardy's application for certification. Vote: 7 ayes

c. Dawna Oksen **07-01-002**

Moved to consent agenda

d. Martin Schwarzburg **06-12-025**

Mr. Schwarzburg gained his experience with the following employer:

AIG/Lincoln Properties 68 mos All competencies

Mr. Schwarzburg passed the CPA exam in November 2001. Mr. Schwarzburg gained his experience with AIG/Lincoln Properties. Mr. Rawls indicated the certificate of experience is thorough and clearly demonstrates that the applicant has met all competencies. He also contacted the supervisor licensee and feels confident the applicant is qualified for the CPA Certificate.

COMMITTEE RECOMMENDATION: Moved by Rawls and carried to recommend approval of the application of Martin Schwarzbug. Vote: 7 ayes

e. Margaret Wight **07-01-001**

Ms. Wight gained her experience with the following employer:

Yoshida Inc. 39 mos All competencies

Ms. Wight passed the CPA Examination in November 2003. Mr. Carey reviewed the file and stated that Ms. Wight has met the competencies and that the write up was sufficient to show how the competencies were demonstrated.

COMMITTEE RECOMMENDATION: Moved by Carey and carried to recommend approval of the application for certification for Margaret Wight. Vote: 6 ayes; 1 excused (Santiago)

f. Travis Wade **07-01-003**

Mr. Wade gained his experience with the following employer:

Intel 27.5 mos All competencies

Mr. Wade passed the CPA exam on July 1, 2006. The write up provided by the supervisor licensee was very well written and clearly demonstrated competency in the seven core areas. Mr. Emberland was satisfied that the applicant meets the requirements for certification.

COMMITTEE RECOMMENDATION: Moved by Emberland and carried to recommend approval of the application for certification for Travis Wade. Vote: 6 ayes, 1 excused (Santiago)

g. Ruth Wu **06-12-023**

Ms. Wu gained her experience with the following employers:

Oregon Judicial Dept	9.5 mos	All competencies
Office of State Treasurer	3.5 mos	All competencies

Ms. Wu passed the CPA Exam in November 2002. Ms. Wu is involved in internal audit work with the Oregon Department of Revenue currently. She had various duties with her work at the Oregon Judicial Department and Office of the State Treasurer. The reviewer is satisfied that Ms. Wu has demonstrated competency in the seven core competencies.

COMMITTEE RECOMMENDATION: Moved by Selid and carried to recommend approval of the application for Ruth Wu. Vote: 5 ayes; 1 abstain (Emery) 1 excused (Santiago)

h. Andrew Eichelman **07-03-007**

Mr. Eichelman gained his experience with the following employer:

Intel	115 mos	All competencies
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Mr. Eichelman passed the CPA Exam on November 21, 2006. Mr. Eichelman has extensive experience working as the Sarbanes-Oxley 404 Program Manager, WiMax Senior Strategic Manager, and Finance Integration Manager. He has demonstrated the ability to complete the work requiring the seven core competencies with a minimum of supervision. The reviewer is confident that Mr. Eichelman has met the seven core competencies.

COMMITTEE RECOMMENDATION: Mr. Selid moved and it was carried to recommend approval of the CPA Certificate application for Mr. Eichelman. Vote: 6 ayes; 1 excused (Carey)

i. Janet Pritiskutch **07-02-006**

Ms. Pritiskutch gained her experience with the following employer:

Intel	67 mos	All competencies
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Ms. Pritiskutch passed the CPA exam in May 1999. Ms. Pritiskutch gained her competency in the seven core areas by working in the external reporting and entity accounting department. The reviewer stated that the write up was excellent and shows this candidate is highly qualified.

COMMITTEE RECOMMENDATION: Moved by Ashford and carried to recommend approval of the CPA Certificate application for Ms. Pritiskutch. Vote: 6 ayes; 1 excused (Carey)

j. Maurici Ubiergo **07-02-005**

Mr. Ubiergo gained his experience with the following employer:

Xerox Corp	13 mos	All competencies
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Mr. Ubiergo passed the CPA exam on May 15, 2006. Mr. Ubiergo gained his experience in the seven core competencies by serving as the Senior

Financial Analyst for Xerox Corp in the Financial Planning & Analysis team. The reviewer stated the write up clearly demonstrated the qualifications of this candidate. COMMITTEE RECOMMENDATION: Moved by Rawls and carried to recommend approval of Maurici Ubiergo's application for certification. Vote: 6 ayes; 1 excused (Carey)

2. Other

- * a. **Boyd Elkins**
- * b. **Bob Baldwin**
- * c. **Jill Morris**
- * d. **Dawna Oksen**

C. * Items Removed from Consent Agenda

1. Jill Morris

Committee Discussion from December 7, 2006 meeting: The committee directed staff to communicate with Ms. Morris' employer, Mr. Juskalian, and request additional information about Juskalian's supervision of Ms. Morris.

Ms. Morris passed the CPA exam on May 26, 2006. Mr. Carey reported that the write-up was not sufficient for him to determine whether or not the applicant meets the competencies. In addition, it is unclear whether or not the applicant has direct supervision.

The committee reviewed Mr. Juskalian's response and believes that the communication between the supervisor licensee and the applicant is on an 'as needed basis' rather than according to a formal plan of supervision. The committee asked staff to contact Mr. Juskalian by email asking for more detail regarding the supervisory role in terms of frequency of communication, method of communication and topics discussed.

There was no quorum at this point in the meeting; however committee members, Ashford, Emberland and Emery agreed that unless additional documentation is received explaining the supervision of Ms. Morris they would not recommend this application for licensure.

Staff will send an email to the supervisor licensee and if a response is received, will present the additional information to the Board December 11.

The Board reviewed the committee minutes and referred this matter back to the committee for full discussion.

The committee reviewed the additional information submitted by Mr. Juskalian and determined Mr. Juskalian's supervisory activities do not meet the requirement for direct supervision. Mr. Juskalian provided an organizational chart indicating that direct supervision was only for a period of 5 months.

COMMITTEE RECOMMENDATION: Moved by Emberland and carried to recommend denial of Ms. Morris' application due to inadequate supervision. Vote: 5 ayes; 1 abstain (Rawls); 1 excused (Santiago)

Board Discussion: *The Board reviewed the supervisory arrangement for Jill Morris and agrees with the committee that it is not sufficient.*

BOARD ACTION: Moved by Gaffney to accept the committee recommendation to deny the application.

VOTE: 7 ayes, Chair Klimowicz voted.

2. Boyd Elkins

06-12-022

Committee Discussion from February 16, 2007 meeting: Mr. Elkins gained his experience with the following employer:

Evergreen Federal Bank 15 mos All competencies

Mr. Elkins passed the CPA exam in May 2002. Evergreen Federal Bank hired a local CPA for the purpose of directly supervising Mr. Elkins. The committee questioned the nature and extent of the direct supervision and asked Mr. Emberland to call the supervisor licensee and ask for additional information regarding the supervision arrangement.

Mr. Emberland contacted the supervisor licensee following the February meeting and concurred that the amount of supervision meets the Board's requirements. The supervisor licensee supervises the applicant on a regular and consistent basis.

COMMITTEE RECOMMENDATION: Moved by Emberland and carried to approve the application for certification for Mr. Elkins. Vote: 5 ayes, 1 nay (Selid), 1 excused (Carey)

Board Discussion: *Gaffney recused himself from the discussion and will abstain from voting on this case.*

BOARD ACTION: Moved by Johnson and carried to approve the application for CPA certification for Boyd Elkins.

VOTE: 6 ayes, Chair Klimowicz voted; 1 abstain (Gaffney)

3. Bob Baldwin

Qualifications Committee Minutes from December 7, 2006 meeting:

Mr. Baldwin gained his experience with the following employer:

Lane Community College 39 mos All competencies

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. Mr. Selid does 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 job description of Mr. Baldwin's position.

COMMITTEE RECOMMENDATION: Mr. Selid moved to recommend a finding that Mr. Baldwin has not achieved the competencies. Vote: 4 ayes, 3 excused (Santiago, Rawls and Carey)

Board staff sent a letter to the applicant advising him of the Board decision to deny his application on January 10, 2007 and again on February 6, 2007. The applicant could either withdraw his application for certification and reapply once he has met the requirements or request an administrative hearing. The applicant 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.

COMMITTEE RECOMMENDATION: Moved by Selid and carried to confirm the decision to recommend denial of the application for certification for Bob Baldwin.

Vote: 6 ayes, 1 excused (Carey)

Board Discussion: *Mr. Baldwin and Greg Morgan attended the Board meeting to discuss the committee recommendation. Mr. 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 publicly 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.

BOARD ACTION: Moved by Gaffney and carried to refer this case back to committee.

VOTE: 7 ayes, Chair Klimowicz voted.

d. Dawna Oksen

Ms. Oksen gained her experience with the following employer:

South Valley Bank 135 mos All competencies

Ms. Oksen passed the CPA exam on April 19, 2006. She has been employed with South Valley Bank & Trust for the past 12 years.

Ms. Oksen requested the committee make an exception to the "direct supervision" rule and the committee discussed the request at their meeting in December 2006. Her work is reviewed and evaluated by Moss Adams LLP, the external auditor and indirect supervision is provided by Brent Kap. Mr. Kap is the Audit Committee Chairman; his license has been lapsed since July 2005 in Oregon and lapsed July 31, 2000 in California.

Mr. Emberland suggested that the committee should focus on the quality of supervision and experience. He is opposed to drifting too far from the purpose and definition of direct supervision. Although current technology allows candidates to be supervised 'remotely' the committee needs to consider how closely the applicant is actually supervised.

Mr. Kap had an active license in Oregon from 2003 – 2005; prior to that his license was lapsed. A supervisor licensee must have an active license during the period of supervision and for at least 5 years prior to such supervision.

The supervisor licensee's license has been lapsed since 2005 and he states that he did not have day to day supervision of Ms. Oksen's responsibilities.

COMMITTEE RECOMMENDATION: Moved by Santiago and carried to recommend denial of the application for certification for Ms. Oksen for lack of a qualified supervisor licensee. Vote: 7 ayes.

Board Discussion: *Gaffney recused himself from this case as South Valley Bank is an audit client of Moss Adams.*

Ms. Oksen attended the meeting to answer any questions the Board may have. Ms. Oksen explained to the Board the supervisory role of Mr. Kap. Mr. Kap has regular communication with the applicant. He advises, reviews financial statements, budgets, assets prepared by Ms. Oksen. Ms. Oksen also explained that Mr. Kap comes to the building where she works on a weekly basis and is always available by phone, email or in person. Mr. Kap also has the authority to recommend her termination. Ms. Oksen also explained that she attended CPE courses held by a CPA firm across the street to keep up to date on professional standard issues.

The Board adjourned to convene in Executive Session at 1:35 p.m.

BOARD ACTION: Moved by Bailey and carried to approve the application for certification.

VOTE: 6 ayes, Chair Klimowicz voted, 1 abstain (Gaffney)

16. CPA EXAM

A. 2006 Overview of Candidate Concerns

Information only.

B. CBT Statistics

Information only.

C. Fee Increase

Information only.

D. Top Scores 2006

The Board reviewed the list of top scores in Oregon for 2006. The candidates were recognized at the OSCP Circle of Excellence Banquet.

BOARD ACTION: Moved by Johnson and carried to accept the top scores.

VOTE: 7 ayes, Chair Klimowicz voted.

E. Cut & Paste Error

The Board of Examiners and the Examinations Team of NASBA and the AICPA discovered a copy and paste error on the CPA examination. Boards of Accountancy were notified that scores from the 2nd, 3rd and 4th quarter in 2006 would need to be rescored. Boards were notified of any score changes for their candidates. Oregon had four candidates score changed from a no pass to a passing score.

17. CODE OF PROFESSIONAL CONDUCT

A. Acceptance of Minutes

1. February 28, 2007

BOARD ACTION: Moved by Johnson and carried to accept the minutes of February 28, 2007 meeting.

VOTE: 7 ayes, Chair Klimowicz voted.

Board Discussion: *The committee is in the process of reviewing a variety of ethical interpretations by the AICPA that are not finalized at this point. Recommendations will be forthcoming at a later meeting.*

18. NEW BUSINESS

None

19. PROCESS OBSERVER REPORT

Mr. Lind reported that the room temperature and frequency of the breaks was adequate today. It would be helpful if individuals remember to speak loud and clear especially in larger meeting rooms. Guests should be given a specific timeframe that will be allowed for their appearance before the Board. Mr. Lind appreciated the way Mr. Gaffney made one motion for all three sets of Board minutes. Mr. Lind felt the Board did an exceptional job of requesting executive session when necessary.

20. NEXT MEETING

Date: August 6, 2007
Location: Board of Accountancy
3218 Pringle Rd SE #110
Salem OR 97302

Date: August 7, 2007
Location: Portland, Oregon

21. ADJOURNED

There being no further business, the meeting adjourned at 3:30 p.m.