

**OREGON BOARD OF ACCOUNTANCY**  
**May 19, 2003**  
**Hilton Hotel, Eugene, Oregon**

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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**

Alan Steiger, CPA, *Chair*  
James Gaffney, CPA, *Secretary-Treasurer*  
Nikki Weiner, *Public Member*  
Jens Andersen, CPA  
Kent Bailey, CPA  
T. Lynn Klimowicz, CPA

**Staff Members**

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

**Guests Attending**

Christine Chute, A.A.G.  
Steve McConnel, CPA, OSCPA  
Cheryl Langley, OSCPA  
Jim Aldrich, PA, OAIA  
Douglas Kruse, CPA

**Excused**

Stuart Morris, PA, *Vice Chair*

**1. CALL TO ORDER**

The meeting was called to order at 9:35 a.m. Chair Steiger announced that some items would be considered out of order to accommodate guests.

**A.** Nikki Weiner was appointed Process Observer

**B.** Guests Jim Aldrich, Cheryl Langley and Steve McConnel were introduced. Douglas Kruse joined the meeting at 11:00 a.m. and left at approximately 11:30 a.m.

**2. APPROVAL OF MINUTES**

**A. March 24, 2003**

**BOARD ACTION:** Moved by Gaffney and carried to approve the minutes and accept the recommendation that future minutes reflect the names of those attending by phone conference and those attending for only a portion of the meeting.

Vote: 6 ayes, 1 excused (Morris)

**3. REPORT OF CHAIR**

**A. NASBA**

**1. Annual Conference, October 2003**

The 2003 NASBA Annual Conference will be held in Hawaii. Because of current restrictions on out-of-state travel, Ms. Rives will not attend the conference. NASBA will sponsor one person from Oregon to attend the conference.

**BOARD ACTION:** Moved by Ms. Klimowicz and carried to approve Mr. Steiger's attendance at the conference. Mr. Steiger will apply for the NASBA scholarship.

Vote: 6 ayes, 1 excused (Morris)

**2. NASBA Focus Questions, Responses**

A summary of written responses was gathered from the member boards by NASBA's Regional Directors between January 3 and April 14, 2003. The report is attached and made a permanent part of these minutes, attachment (3.A.2.).

### **3. A Streamlined Approach to Accounting Regulation**

NASBA has assembled a task force with three stated goals:

1. To achieve participation by all states in a secure licensee database;
2. To encourage all states to adopt UAA provisions for substantial equivalency;
3. To develop a uniform approach to application of the Sarbanes-Oxley Act at the state level.

Ms. Chute noted that many licensing boards are developing or using central licensee banks. Current Oregon information is submitted to the EIX database which is a secure database restricted to state boards. The Board agrees that each of the stated goals are appropriate and critical for regulation of the profession.

### **4. Highlights, Directors' Meeting**

The NASBA Board endorsed the *Streamlined Approach to Accounting Regulation*. The Uniform Accountancy Act Committee continues to meet. NASBA approved a \$200.00 discount for the Annual Meeting registration for board representatives and guests which will not be relevant for this Board because we will apply for the NASBA scholarship for the annual meeting.

### **5. Regional Conference, June 2003**

The 2003 Regional Conference will be in Portland. Following is a list of attendees at the breakout sessions:

- *Scope of Services* – Ms. Klimowicz and Mr. Bailey;
- *Compensation, Rotation, Board Composition and Ethics* – Mr. Steiger and Mr. Morris;
- *Firm Inspections* – Mr. Gaffney and Mr. McConnel;
- *Relationships with PCAOB, Other Domestic and International Regulatory Agencies and Professional Associations* – Mr. Andersen and Ms. Bennett;
- *Corporate Governance* – Ms. Rives and Ms. Shepherd.

#### **a. Discussion points to submit**

The points will be discussed at the round table session.

#### **b. Case Studies**

The Board discussed the case studies which are attached and made a permanent part of the minutes (3.A.5.b).

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

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

#### **1. Independence Standard**

#### **2. Record Retention Provisions**

**BOARD ACTION:** Moved by Gaffney and carried to approve the proposed revisions to the Independence rules OAR 801-030-0005(1), Client Records and Working Papers OAR 801-030-0015(2)(d)(E), and OAR 801-030-0015(2), as recommended by the Independence Task Force. The Final Report of the Independence Task Force is attached and made a permanent part of the minutes. (Work Session 2.A.1.a.).

Vote: 6 ayes, 1 excused (Morris)

#### **3. Delegated Authority**

**BOARD ACTION:** Moved by Gaffney and carried to delegate to the Board Administrator authority to sign consent orders that do not include significant changes from the terms of the Notice issued or terms of a proposed consent agreement approved by the Board of Accountancy.

Vote: 6 ayes, 1 excused (Morris)

#### **4. Legislative Concepts**

##### **a. Cease and Desist Authority**

**BOARD ACTION:** Moved by Gaffney and carried to defer discussion of this item to the October 2003 work session.

Vote: 6 ayes, 1 excused (Morris)

##### **b. Exam Fees**

**BOARD ACTION:** Moved by Gaffney and carried to establish CPA exam fees under CBT in the amount of \$100 for first-time candidates and \$50 for second-time candidates.

Vote: 6 ayes, 1 excused (Morris)

##### **c. Semi-Independence Status**

**BOARD ACTION:** Moved by Gaffney and carried to authorize the Board Administrator to take initial steps to develop the Board's operating systems for the possible achievement of semi-independence status.

Vote: 6 ayes, 1 excused (Morris)

#### **5. Administrative Rules**

##### **a. Definitions**

###### **1. Principal Place of Business**

**OAR 801-005-0010**

**BOARD ACTION:** Moved by Klimowicz and carried to adopt the definition of principal place of business as stated in Option #3 of Work Session Item 5.A.a.

Vote: 6 ayes, 1 excused (Morris)

###### **2. Valid Permit**

**OAR 801-005-0010**

**BOARD ACTION:** Moved by Klimowicz and carried to defer discussion of the definition of valid permit to the August Board meeting.

Vote: 6 ayes, 1 excused (Morris)

##### **b. Substantial Equivalency**

**OAR 801-010-0080**

**BOARD ACTION:** Moved by Gaffney and carried to adopt Subsection (3).

Vote: 6 ayes, 1 excused (Morris)

##### **c. Resignation of Licensee**

**OAR 801-010-0115**

**BOARD ACTION:** Moved by Gaffney and carried to adopt amended rule and to modify by moving Paragraph 801-010-0115(3)(e) to 801-010-0115 (2)(f).

Vote: 6 ayes, 1 excused (Morris)

##### **d. Firm Notice of Litigation**

**OAR 801-010-0345**

**BOARD ACTION:** Moved by Gaffney and carried to adopt amended rule with a typing correction in Subsection (6).

Vote: 6 ayes, 1 excused (Morris)

##### **e. Internet Practice**

**OAR 801-030-0020**

**BOARD ACTION:** Moved by Gaffney and carried to add Paragraph 6(c) to 801-030-0020.

Vote: 6 ayes, 1 excused (Morris)

##### **f. CPE Requirements**

**OAR 801-040-0070 and OAR 801-040-0160**

**BOARD ACTION:** Moved by Gaffney and carried to adopt amendments to Section (1) and add Sections (2) and (3) to OAR 801-040-0070 (1), (2) and (3) and amendments to OAR 801-040-0160(1).

Vote: 6 ayes, 1 excused (Morris)

**g. Housekeeping****OAR 801 Division 001**

**BOARD ACTION:** Moved by Gaffney and carried to adopt amendments to 801-001-0015 and to add new 801-001-0035.

Vote: 6 ayes, 1 excused (Morris)

**h. Non-CPA Ownership****OAR 801-030-0020(6)(a)**

**BOARD ACTION:** Moved by Gaffney and carried to add Subparagraph (A) to 801-030-0020(6)(a).

Vote: 6 ayes, 1 excused (Morris)

**i. Late Renewal Fees****OAR 801-010-0110 and 0125**

**BOARD ACTION:** Moved by Gaffney and carried to add Paragraph (d) to OAR 801-010-0110(1) and add new section (4) to OAR 801-010-0125.

Vote: 6 ayes, 1 excused (Morris)

**j. PA to CPA Requirements****OAR 801-010-0075**

**BOARD ACTION:** Moved by Gaffney and carried to add new Subsection (b) to 801-010-0075.

Vote: 6 ayes, 1 excused (Morris)

**k. Qualifications for Continuance on Roster****OAR 801-020-0700**

**BOARD ACTION:** Moved by Gaffney and carried to add new Section (3) to 801-020-0700.

Vote: 6 ayes, 1 excused (Morris)

**l. New Permits****OAR 801-040-0100(1)**

**BOARD ACTION:** Moved by Gaffney and carried to add new Subsection (b) to 801-040-0100(1).

Vote: 6 ayes, 1 excused (Morris)

**6. CBT****a. Administrative Rules**

The Board reviewed a preliminary version of proposed administrative rules for the computer-based exam.

**7. Strategic Business Plan****a. 2001-03 Strategic Business Plan, with Timeline**

The Board reviewed the 2001-2003 strategic business plan and timeline and Ms. Rives reported that strategic objectives for this biennium were met. A copy of the 2001-2003 business plan and timeline is attached and made a permanent part of the minutes (Work Session 6.A).

**b. 2003-05 Strategic Business Plan**

The Board reviewed the 2003 -2005 strategic business plan during the work session on May 18, 2003. A copy of the business plan is attached and made a permanent part of the minutes (Work Session 6.B).

**BOARD ACTION:** Moved and carried to approve the 2003-2005 strategic business plan.

Vote: 6 ayes, 1 excused (Morris)

**c. 2003-05 Timeline**

The Board reviewed the 2003-2005 strategic business plan timeline during the work session on May 18, 2003. A copy of the business plan timeline is attached and made a permanent part of the minutes (Work Session 6.C).

**BOARD ACTION:** Moved and carried to approve the 2003-2005 strategic business plan timeline.

Vote: 6 ayes, 1 excused (Morris)

**B. Location for October 2003 Work Session and Board Meeting**

The Riverhouse Hotel in Bend, Oregon is reserved for the Fall work session and Board meeting on October 19 and 20, 2003.

**5. REPORT OF SECRETARY-TREASURER**

**A. Budget Report – March 31, 2003**

Gaffney noted that Board revenues are unfavorable while Board expenditures are favorable which is a continuing trend. The Board is ahead of the beginning balance which may present concerns over excess funds. Depending on the general fund, the legislature may not be concerned about carry-over balances for reserves if it can be justified by future financial needs.

**B. Revenue Projections and 03-05 Budget Report**

The Board prepared a 48-month cash flow projection for the Legislature for the period 03-07. Revenue from the CBT exam is an unknown. There is also a potential for large investigation cases. Through careful cost control the Board is accumulating extra funds for that possibility. There is also a need for enhancement of information technology services. The freeze on merit increases and COLA will reduce the amount budgeted for personal services. The BOA 03-05 budget awaits approval from the House and Senate.

**6. REPORT OF ADMINISTRATOR**

**A. Legislative Report**

SB 149 (inactive status), SB 151 (continuing violation penalty) and SB 152 (recovery of costs of disciplinary actions) were passed by the Senate, but failed to be heard by the House Committee on Business, Labor and Consumer Affairs. The bills will die without a hearing and the Board will have to request introduction of the bills during the next legislative session.

**B. CBT**

Pre-testing of CBT was administered in Corvallis May 16, 17 and 18. Some technical difficulty in the audit section was reported by the 27 to 30 individuals who took the exam.

**C. Public Accounting License Request**

Jennifer Mulkey requested a PA permit with a restriction in audit. She passed three sections of the CPA exam.

Moved by Gaffney and carried to accept Jennifer Mulkey's request to qualify for the PA permit with an exception in audit.

Vote: 6 ayes, 1 excused (Morris)

**D. Budget Projections 01-03; 03-05**

Board members reviewed cash balance projections. Those reports are attached as a permanent part of the minutes.

**E. Convictions Reported**

**a. DeeAnne E. Waltman**

The applicant was convicted of hindering prosecution of charges against her husband.

Moved by Klimowicz to accept Waltman's application for certification.

Vote: 6 ayes, 1 excused (Morris)

**b. Dan J. Chapman**

The applicant was convicted of manufacturing and distribution of a controlled substance. The Board considered the date of the felony, sentencing and rehabilitation completed.

Moved by Gaffney and carried to accept Chapman's application for certification.

**7. REPORT OF OAIA**

Mr. Aldrich reported the 2003 OAIA Annual Joint Convention will be held in Sun Valley, Idaho on June 25 - 28. OAIA sponsored two seminars that were well attended.

**8. REPORT OF OSCPA**

Mr. McConnel reported on the success of the May 2003 Annual OSCPA Leadership Conference. OSCPA continues to follow various legislative activities. The OSCPA Board is currently focusing on understanding what motivates their members and how OSCPA can better serve the members. They are developing a member survey to that end. The Circle of Excellence dinner was held Thursday May 16, 2003. Mr. McConnel thanked the Board and staff for attending the dinner. OSCPA will sponsor a hospitality bar at the reception for the 2003 NASBA Regional Conference to be held in Portland on June 11 - 13.

**9. CONTINUING PROFESSIONAL EDUCATION**

**A. Report of CPE Committee**

**1. Acceptance of Minutes**

**a. May 13, 2003**

**BOARD ACTION:** Moved and carried to accept the minutes of May 13, 2003.

Vote: 6 ayes, 1 excused (Morris)

**B. Consent Agenda**

**1. Recommendations**

**BOARD ACTION:** Moved and carried to accept the consent agenda removing items B.1.a. and B.1.c. for discussion.

Vote: 6 ayes, 1 excused (Morris)

**a. Municipal CPE Documentation:**

The committee reviewed an email from Barbara Blue suggesting additional documentation on the municipal roster application. Ms. Blue suggested requesting: a course outline and the knowledge level of the course.

Committee Discussion: With the increased number of self study CPE courses submitted on the municipal applications, it is more difficult to determine if these courses qualify as municipal audit CPE.

COMMITTEE RECOMMENDATION: Modify the municipal application to include a request for an outline of the self study course including the knowledge level.

**b. Pre-approval of Municipal CPE Courses**

The committee reviewed an email from a licensee requesting pre-approval of two municipal audit CPE courses. 'GASB: Foundations in Governmental Accounting and; A-133 and HUD Audits.' The committee determined the courses to be basic CPE courses.

COMMITTEE RECOMMENDATION: Accept the municipal audit CPE courses.

**2. Municipal Auditor Applications**

**a. Ying Li**

COMMITTEE RECOMMENDATION: Accept; the applicant completed the requirements for the municipal audit roster, as required by OAR 801-020-0690.

**b. Daniel Taylor**

COMMITTEE RECOMMENDATION: Accept; the applicant completed the requirements for the municipal audit roster, as required by OAR 801-020-0690.

**c. Christopher Garner**

**d. Scott Simpson**

**e. Lance Brandt**

Three municipal auditor CPE committee members reviewed the applications submitted by the individuals named in 2. c, d and e via Fax.

COMMITTEE RECOMMENDATION: Accept; the applicants completed the requirements for the municipal audit roster, as required by OAR 801-020-0690.

**C. Items Removed from Consent Agenda**

**1. Pre-approval of Municipal CPE Courses (B.1.a.)**

The Committee reviewed two CPE courses to determine if the courses qualify for continuance on the municipal roster. The courses reviewed were entitled: "Auditing Nonprofits: Tips and Trap" and "Fraud in Not-for-Profit Organizations".

COMMITTEE DISCUSSION: Not-for profit organizations are not municipal corporations. Not-for-profit engagements may or may not be Yellow Book engagements. Neither course qualifies because the courses are structured for non-profit organizations rather than government audits.

COMMITTEE RECOMMENDATION: Deny both CPE courses. Advise licensee that the courses do not meet the criteria stated in Qualifications for Continuance on the Roster, OAR 801-020-0070(1).

**BOARD ACTION:** Moved and carried to approve the committee recommendation.

Vote: 6 ayes, 1 excused (Morris)

**2. Non-QAS Self-Study Appeal (B.1.c.)**

The committee reviewed an email from a licensee requesting waiver of the NASBA QAS self study rule. The licensee requested CPE credit for taking the CMA/CFM exams. When the licensee was advised that the Board does not give CPE credit for sitting and passing an exam, the licensee requested CPE credit for studying for the exam. The committee determined that the request does not meet the standards for CPE credit for individual study. The request does not qualify under OAR 801-040-0030(1).

COMMITTEE RECOMMENDATION: Deny the request.

**BOARD ACTION:** Moved and carried to approve the committee recommendation and advise committee that the Board does not support waivers of the QAS self study requirement.

Vote: 6 ayes, 1 excused (Morris)

**10. PEER REVIEW OVERSIGHT**

**A. Report of Peer Review Oversight Committee**

**1. Acceptance of Minutes**

a. No meeting was held.

**11. COMPLAINTS COMMITTEE**

**A. Report of Complaints Committee**

**1. Acceptance of Minutes**

**a. May 2, 2003**

**BOARD ACTION:** Moved by Gaffney and carried to approve the minutes of May 2, 2003.

Vote: 6 ayes, 1 excused (Morris)

**B. Consent Agenda**

Gaffney declared a conflict of interest and recused himself from voting on Lynch, Lanzarotta and Blodgett/Moss Adams. Remove the following complaints from the consent agenda: Michael E. Lynch, James C. Lanzarotta, Terri Blodgett/Moss Adams LLP, Douglas R. Kruse, Trustee Investment Services, Flaviano D. Reyes, James K. Rosencrans and Johnson Smith and Associates/Forrest R. Johnson/Richard P. Smith/Malcolm E. Baker/Donald W. Brudvig.

**BOARD ACTION:** Moved by Klimowicz and carried to approve the consent agenda as amended.

Vote: 6 ayes, 1 excused (Morris)

**1. Recommendations**

**e. 02-05-031 Thomas A. Graves**

**Doty & Graves, PC**

Mrs. Cartisser engaged Thomas Graves to complete her 2001 income tax return. When Mrs. Cartisser picked up her return, she was surprised by the preparation fee charged to her.

INVESTIGATOR RECOMMENDATION(S):

OAR 801-030-0020(1) – Professional Misconduct

Close – No Violation. The engagement letter presented to Cartisser by Graves disclosed the standard hourly rates used by Graves and Doty & Graves, PC for billing clients. There is no evidence to support a violation of professional misconduct.

OAR 801-030-0020(4)(g) – Public Communications and Advertising

Close – No Violation. The engagement letter signed by Cartisser stated that “fees will be charged at our standard hourly rate plus processing charges”. The document signed by Cartisser is evidence that the requirement to disclose all variables affecting fees was met by Graves and Doty & Graves, PC. There is no evidence to support a violation of public communications and advertising.

COMMITTEE RECOMMENDATION(S):

Accept the Investigator’s recommendation to close with no violation of OAR 801-030-0020(1) and OAR 801-030-0020(4)(g)

**C. Items Removed from Consent Agenda**

**1. a. 01-12-024 Michael E. Lynch**

Steven Jarvis (Jarvis), Mark Redwine (Redwine), Michael Lynch (Lynch) and James Lanzarotta (Lanzarotta) were employed by Moss Adams, LLP (Moss) in Astoria. When the Moss office closed, Jarvis and Redwine offered to purchase the client list. Lynch and Lanzarotta sold the client list to someone else. Jarvis and Redwine opened a competing business, Jarvis & Redwine, LLP. After the sale, Jarvis and Redwine

complained that Lynch made disparaging remarks about them and delayed in providing client records.

**INVESTIGATOR RECOMMENDATION(S):**

OAR 801-030-0015(2)(b) – Client Records and Working Papers

Close – No Violation. The complainants did not provide evidence that records were not furnished to clients within a reasonable time by Lynch. Jarvis does not think withheld client records are an important part of the complaint against Lynch. Redwine had no examples of client records that were not provided by Lynch.

OAR 801-030-0020(1) – Professional Misconduct

Close – No Violation. The complainants provided evidence of disparaging remarks from two clients that are closely related. These remarks are not of the nature that would reflect adversely on Lynch's ability to practice public accountancy. Instead, the remarks are those of one who was in a position to give advice to clients regarding the level of work that would be needed on their accounts. Lynch knew the level of expertise that Jarvis and Redwine could provide after supervising both as former employees. To provide anything less to a client could be interpreted as dishonesty in the practice of public accountancy.

**COMMITTEE DISCUSSION:** The committee asked for evidence of disparaging remarks to support the charges. There were no supporting facts of these remarks.

**COMMITTEE RECOMMENDATION(S):**

Accept the Investigator's recommendation to close with no violation of OAR 801-030-0015(2)(b)

Accept the Investigator's recommendation to close with no violation of OAR 801-030-0020(1)

**BOARD ACTION:** Moved by Klimowicz and carried to accept the committee's recommendation to close with no violations.

Vote: 5 ayes, 1 abstained (Gaffney), 1 excused (Morris)

**1. b. 01-12-025 James C. Lanzarotta**

Steven Jarvis (Jarvis), Mark Redwine (Redwine), Michael Lynch (Lynch) and James Lanzarotta (Lanzarotta) were employed by Moss Adams, LLP (Moss) in Astoria. When the Moss office closed, Jarvis and Redwine offered to purchase the client list. Lynch and Lanzarotta sold the client list to someone else. Jarvis and Redwine opened a competing business, Jarvis & Redwine, LLP. After the sale, Jarvis and Redwine complained that Lanzarotta failed to provide client records.

**INVESTIGATOR RECOMMENDATION(S):**

OAR 801-030-0015(2)(b) – Client Records and Working Papers

Close – No Violation. The complainants did not provide the names of clients whose records were not returned by Lanzarotta. The allegations that Lanzarotta failed to return client records within a reasonable time are not supported by any evidence. Jarvis & Redwine withdrew their complaint against Lanzarotta.

**COMMITTEE DISCUSSION:** The Investigator reported that Jarvis requested to withdraw the complaint. There is insufficient evidence to pursue the complaint.

**COMMITTEE RECOMMENDATION(S):**

Accept the Investigator's recommendation to close with no violation of OAR 801-030-0015(2)(b)

**BOARD ACTION:** Moved by Klimowicz and carried to accept the committee's recommendation to close with no violations.

Vote: 5 ayes, 1 abstained (Gaffney), 1 excused (Morris)

**1. c. 02-01-002 Terri Blodgett  
Moss Adams LLP**

Leslie Parrish (Parrish) and husband Richard Bach (Bach) were clients of Moss Adams LLP (Moss) for approximately 20 years. Parrish and Bach divorced in 1999. As part of the divorce, Parrish and Bach agreed to continue their business dealings as if they were partners and agreed to use Moss for accounting and tax purposes. Under the agreement Parrish was the business manager and kept the business books and records. Parrish and Bach did business as a corporation called ALFI, Inc. Parrish was not a trained bookkeeper and relied on Moss Adams for professional advice for recordkeeping and tax preparation. Parrish and Bach were co-trustees and co-beneficiaries of a profit-sharing plan.

Parrish and Bach's new business arrangement began to erode shortly after the divorce. As the business arrangement soured, Parrish began to question the objectivity and integrity of Moss Adams and also of Terri Blodgett (Blodgett), CPA, employed by Moss. Parrish made the following allegations against Moss and Blodgett:

1. Abuse of authority and obstruction of implementation of the Property Settlement Agreement (PSA).
2. Alleged errors on the Profit Sharing Plan Form 5500 and failure to provide a copy of Form 5500.
3. Stolen documents.
4. Bank account opened without authorization by Parrish.
5. Moss cheated Parrish out of salary and loan repayments.

Blodgett worked in Moss Adams' Medford office under the supervision of Roy Kimball (Kimball) for more than 20 years.

INVESTIGATOR RECOMMENDATION(S):

**Complaint #1: OAR 801-030-0005(1) – Independence, Integrity and Objectivity**

Close – No Violation. According to Parrish, Moss was appointed by the arbitrator to do a final accounting. It is unclear what property was included in the final accounting. In July the arbitrator determined that the work prepared by Moss was incorrect and that Bach owed Parrish \$73,559.60 for salary and other expenses incurred by Parrish. Parrish complains that Moss was an accomplice to Bach's failure to pay the \$73,559.60, through its administration of the Bach/Parrish PSA. Parrish requested Blodgett to calculate the division of cash between Bach and Parrish. After reviewing the calculations, Parrish accused Blodgett of not abiding by the PSA. Parrish also stated that Blodgett's work was filled with errors. Parrish said that Blodgett did not consider assets that should have been included in the PSA. Moss and Blodgett did not include an allocation for Parrish's salary because it was contested between the two parties.

Parrish does not state facts that support a violation of independence, integrity and objectivity. Errors alleged by Parrish, standing alone, are not cause for disciplinary action by the Board. The role of Moss and Blodgett was to maintain books and records

under the PSA. They had no authority to compel Bach to pay \$73,559.60 to Parrish. Collection of this amount required legal recourse.

COMMITTEE DISCUSSION: Moss had no authority to enforce terms of an agreement. Parrish had paid herself salary previously. Parrish asked Blodgett to prepare a calculation and Moss stated up front that the summary was done without considering a salary.

COMMITTEE RECOMMENDATION(S):

Accept the Investigator's recommendation to close with no violation of OAR 801-030-0005(1)

**Complaint #2: OAR 801-030-0010 – Competence and Technical Standards**

Close – No Violation. Bach and Parrish were appointed co-administrators of Alternate Futures Inc. Profit Sharing Plan (PSP). Parrish resigned as president of ALFI, Inc.; however, there is no evidence that she resigned as Administrator of the PSP. Parrish alleges that Moss did not send her a copy of the 2000 Form 5500 and further refused to provide a copy of the signed report. Moss mailed the original Form 5500 to Parrish on October 11, 2001 for her to sign as co-administrator and mail to IRS. A US Postal Service tracking and confirmation statement substantiates that Moss mailed a document to Parrish on October 11, 2001 that was received by Parrish, and then forwarded it to Bach. Moss never had a signed copy of Form 5500. Bach signed the Form 5500 as co-administrator and mailed it to IRS. Parrish claimed that she did not receive the funds from a withdrawal of \$298,500 as shown on 1998 Form 5500. Moss responded that the transaction was a roll-over distribution of \$298,500 (land) to a self-directed IRA at Frontier Bank.

Moss correctly reflected the distribution of \$298,500 made to Parrish's IRA rollover from the 1998 Profit Sharing Plan.

COMMITTEE RECOMMENDATION(S):

Accept the Investigator's recommendation to close with no violation of OAR 801-030-0010

**Complaint #3: OAR 801-030-0015(2)(b)(B) – Requested Records**

Close – No Violation. Moss prepared Alternate Futures Inc. Profit Sharing Plan Form 5500 timely for 2000 and mailed it to Parrish. Evidence shows that Parrish refused the document and forwarded it to Bach.

Moss never had a signed copy of Form 5500, since Bach signed the return and mailed it directly to Internal Revenue Service.

The facts presented do not support a violation of OAR 801-030-0010 or OAR 801-030-0015.

COMMITTEE DISCUSSION: The accounting firm is in a difficult position. If the firm was a co-trustee, then both could sign. The firm worked with both parties because of the joint account situation.

COMMITTEE RECOMMENDATION(S):

Accept the Investigator's recommendation to close with no violation of OAR 801-030-0015(2)(b)(B)

**Complaint #4: OAR 801-030-0020(1) – Professional Misconduct**

Close – No Violation. Parrish stated that Blodgett removed personal information from Parrish's computer while Blodgett worked in Parrish's home during September 1999. Parrish accused Blodgett of (a) exploring Parrish's computer and finding personal files; (b) creating paper copies of personal files; (c) creating a computer disc of personal files; (d) giving Parrish's personal files to Bach. Blodgett denied removing personal information from Parrish's computer or residence. Bach stated that Parrish herself mailed the personal information to him on a computer disc that also included Quicken data. Bach later gave the Quicken disc to Blodgett to make use of the Quicken data. Blodgett did not open the disc and transferred possession of it to the Board upon request. Bach signed an affidavit stating that he obtained Parrish's personal records on a disc that Parrish mailed to him. Blodgett signed an affidavit stating that she did not obtain, print or copy any information from Parrish's computer other than financial information which was printed by Parrish. A copy of the computer disc was faxed to Parrish by the Investigator. Parrish identified handwriting on the disc obtained from Bach as her own and Bach's.

Evidence supports Bach's statement that he acquired the personal documents directly from Parrish. There is no evidence to support the claim that Blodgett removed personal information from Parrish's computer.

The facts presented do not support a violation of OAR 801-030-0020(1).

COMMITTEE DISCUSSION: The evidence indicates that Parrish inadvertently copied personal information on the disc and sent it to Bach.

COMMITTEE RECOMMENDATION(S):

Accept the Investigator's recommendation to close with no violation of OAR 801-030-0020(1)

**Complaint #5: OAR 801-030-0005(1) – Independence, Integrity and Objectivity**

Close – No Violation. Blodgett met with Parrish in September 1999 to reconcile accounting activity for the corporate year end. Parrish and Blodgett discussed opening a bank account for deposit of royalties owed to both parties. It was Blodgett's understanding that Blodgett would open a bank account in Medford for depositing checks on behalf of Parrish and Bach. Parrish later complained that Blodgett opened a bank account in Medford without instructions or authorization. As soon as Blodgett realized that she had misunderstood Parrish's instructions, Blodgett stopped depositing to the bank account and distributed the funds in the account to the parties.

Moss and Blodgett respected the rights of both Bach and Parrish by seeking agreement between the two individuals. Blodgett misunderstood Parrish's instructions and opened a bank account. At the most opening the bank account was a misunderstanding. When Blodgett realized that Parrish did not authorize the new bank account, Blodgett ceased making deposits to the account and distributed the funds to the parties. A miscommunication does not rise to the level of a violation.

COMMITTEE DISCUSSION: There was no harm done to Parrish or Bach. Blodgett understood Parrish to request Moss to open the bank account. Parrish was to

be a signer on the account but she refused to sign the signature card. The funds were distributed to Parrish and Bach.

**COMMITTEE RECOMMENDATION(S):**

Accept the Investigator's recommendation to close with no violation of OAR 801-030-0005(1)

**Complaint #6: OAR 801-030-0020(1) – Professional Misconduct**

Close – No Violation. Parrish complained that Moss cheated her out of salary and loan repayments for two years. Parrish and Bach disagreed on the amount of salary due to Parrish and who should pay the salary. Moss did not reflect a salary liability in the financial records they prepared since Moss could not determine if a salary liability had accrued to Parrish, or what that amount would be if it had accrued. Parrish controlled the checkbook and had the authority to take a salary or make loan repayments at her discretion.

Moss and Blodgett respected the rights of both Bach and Parrish by seeking agreement between the two individuals prior to making decisions on allocations and tax return computations.

Moss and Blodgett did not allocate salary or give instructions to Parrish to pay salary or loan repayments to herself. There was no agreement between Bach and Parrish on salary or loan repayments. Parrish maintained the checking account and could pay salary or repay a loan at any time without approval from Moss or Blodgett.

COMMITTEE DISCUSSION: Parrish had the opportunity to pay herself a salary and the fact that Moss did not accrue a liability for her salary is not a violation.

**COMMITTEE RECOMMENDATION(S):**

Accept the Investigator's recommendations to close with no violation of OAR-030-0020(1)

Summary of Investigator Recommendation(s):

OAR 801-030-0005(1) – Independence, Integrity and Objectivity

Close – No violation

OAR 801-030-0010 – Competence and Technical Standards

Close – No violation

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

Close – No violation

OAR 801-030-0020(1) – Professional Misconduct

Close – No violation

**BOARD ACTION:** Moved by Klimowicz and carried to accept the committee's recommendation to close with no violations.

Vote: 5 ayes, 1 abstained (Gaffney), 1 excused (Morris)

**1. d. 02-03-013 Douglas R. Kruse**

Barbara Smith (Smith) is the former spouse of Douglas Kruse (Kruse). Smith and Kruse have two children. The divorce decree gave Smith the federal and state income tax exemption for Paige E. Kruse Smith (Paige), and Kruse the exemption for

the other child. Kruse claimed Paige as an exemption on his 2001 income tax return in violation of the divorce decree.

Kruse disregarded the court order and attempted to override the divorce decree by claiming an exemption for Paige based on his interpretation of tax codes and expertise. Kruse corrected his tax return prior to the filing due date of April 15, 2002. Kruse's attempt to claim an exemption for Paige in disregard of the divorce decree was dishonest and demonstrates a lack of respect of others.

INVESTIGATOR RECOMMENDATION(S):

ORS 673.170(4) – Dishonesty, Fraud or Misrepresentation

Civil penalty for dishonesty \$2,500

OAR 801-030-0020 – Professional Misconduct

Civil penalty for lack of respect for the rights of others 2,500

Total Investigator Recommended Civil Penalties: \$5,000

OAR 801-030-0015(2)(b) – Client Records and Working Papers

Mr. Kruse attended the committee meeting and provided additional information. He informed the committee that Paige told him her mother could not take the deduction. Kruse believed that he had provided more than half of the support but later discovered that he had not. When the committee asked how Mr. Kruse would handle a similar situation in the future with a client, Mr. Kruse stated that he would detail the child's income thoroughly. Mr. Kruse stated that Paige later explained to him that she is repaying student loans. Mr. Kruse said that he had fulfilled all other obligations of the divorce decree. He acted on the assumption that his ex-wife could not take the exemption and explained that because of their present relationship he did not contact her to confirm this.

COMMITTEE DISCUSSION: Mr. Kruse stated that he believed at the time he filed the exemption that he was providing over half the support of his daughter. When he learned that his daughter had student loans instead of scholarships during 2001 he realized he could not claim the exemption. He filed an amended 2001 tax return removing the exemption. He did so promptly after discovering his error. The committee believed that no harm was done to either party and there was no intent to misrepresent or defraud. Smith took the deduction. Mr. Kruse had not claimed Paige in fifteen years.

COMMITTEE RECOMMENDATION(S):

Amend the Investigator's recommendations and close with no violation of ORS 673.170(4) or OAR 801-030-0020

**Board Discussion:** *The Board asked Mr. Kruse what caused him to amend the tax return. Mr. Kruse replied that after his ex-wife had filed electronically, she notified him that someone had taken the exemption for Paige. Mr. Kruse stated that he then contacted Paige and Paige told him that she had taken student loans and held a job. Mr. Kruse said that he became aware of his error at that time and filed the amended return promptly and withdrew the exemption. The Board asked if he is currently making child support payments. Mr. Kruse replied yes.*

**BOARD ACTION:** Moved by Klimowicz and carried to accept the committee's recommendation to close with no violations.

Vote: 6 ayes, 1 excused (Morris)

**1. f. 02-06-044 Trustee Investment Services**

The Board received information that Trustee Investment Services, Inc. was listed in Yellow Book and Qwest Dex yellow page directories under the category "Accountants – Certified Public". Trustee Investment Services, Inc. is not a registered firm.

Trustee is not licensed with the Board of Accountancy as a business organization. Trustee's advertisement in Qwest Dex yellow pages tends to indicate that the organization is composed of certified public accountants.

INVESTIGATOR RECOMMENDATION(S):

ORS 673.320(4) – Permit or Registration Required

\$1,000 Civil Penalty for each Qwest Dex yellow page listing

(2 @ \$1,000)

\$2,000

No violation for Yellow Book listings

COMMITTEE DISCUSSION: The firm does not solicit local clients and states the ad was placed without charge as a promotion. The owner requested the ad be removed. The facts support the possibility of a mix-up by Qwest. There is no motive for the accounting firm to advertise locally.

COMMITTEE RECOMMENDATION(S):

Amend the Investigator's recommendations and close with no violation of ORS 673.320(4)

**Board Discussion:** *The Investigator stated that after the investigation was completed she had a conversation with Ashland which clarified the scope of the business. The firm audits investment managers and competes with large firms on a national level. Only four companies perform this type of work. The firm was listed in the yellow pages inadvertently. The firm does not solicit local business and the firm has requested that the ad be removed.*

**BOARD ACTION:** Moved by Klimowicz and carried to accept the committee's recommendation to close with no violations.

Vote: 6 ayes, 1 excused (Morris)

**1. g. 02-11-070 Flaviano D. Reyes**

Flaviano Reyes (Reyes) prepared tax returns for Grace Polansky (Polansky) for 2000 and 2001. Polansky provided Reyes with a 1099 which showed a gross distribution of \$9,000 and a taxable amount of \$9,000. Polansky advised Reyes that she did not want to claim the income as taxable income. Reyes prepared the tax return for Polansky and included a statement in the tax return disclaiming any tax liability on the annuity distribution. After Polansky filed her 2000 tax return, Internal Revenue Service (IRS) notified her that she had underpaid taxes. Polansky met with Reyes to review the IRS notice. Reyes determined that Polansky's tax liability was underpaid for 2000.

When the client advised Reyes that she did not want to claim the income as taxable income, Reyes knew or should have known that Polansky's reasoning did not comply with tax rules. Reyes could have told Polansky that he would not file the return as she requested because it was incorrect, or he could have agreed to research the matter and then claim the annuity income in accordance with the rules. Reyes did neither. He apparently did not research the question and he filed the return without

claiming the annuity distribution as taxable income. As a result the client was liable for the unpaid tax plus interest.

Reyes accepted the engagement knowing that the client directed him not to claim the annuity distribution as taxable income. Reyes knew or should have known that the income was taxable, and to file the return in those circumstances does not comport with professional competence.

Reyes relied upon Polansky's belief that she did not owe income tax on the annuity distribution. Reyes prepared Polansky's 2000 and 2001 tax returns without due regard for the laws of the state and nation by relying on Polansky's tax knowledge.

Polansky, on the other hand, had a certain expectation when she hired Reyes. Polansky expected that Reyes would prepare her tax return in compliance with the laws of the state and nation.

Reyes failed to research the potential tax liability prior to preparing the 2000 and 2001 returns. Reyes did not research the annuity distribution until Polansky received a notice from IRS.

**INVESTIGATOR RECOMMENDATION(S):**

OAR 801-030-0010 – Competence and Technical Standards	
Civil penalty of \$500 each for preparation of 2000 and 2001 tax returns (2 @ \$500)	\$1,000
OAR 801-030-0020(1) – Professional Misconduct	
Civil penalty of \$500 each for preparation of 2000 and 2001 tax returns (2 @ \$500)	1,000
Total Investigator Recommended Civil Penalties:	<u>\$2,000</u>

16 hours additional CPE in individual income tax preparation.

These hours are in addition to the 80 hours required for renewal

Summary of Investigator Recommendation(s):

Civil penalties in the total amount of \$2,000 and 16 hours additional CPE in individual income tax preparation, in addition to the 80 hours required for renewal.

COMMITTEE DISCUSSION: Reyes did not research the issue to support his position. He has violated IRS code and it was not a slight error. It appeared that he was appeasing his client and the committee believed Reyes should have known better. There were two successive years with the same violation. He additionally charged his client to review the letter from IRS. The Investigator visited his office and obtained copies of the 1099. Reyes took an unsupportable position on a tax return two successive years. Civil penalty and additional training requirements were discussed. The Investigator recommended the smaller civil penalty based on the need for training. Because of the potential for public harm and the repetition of the violation, a civil penalty of \$2,500 for each incident of violation was considered appropriate, along with 16 additional hours of CPE.

COMMITTEE RECOMMENDATION(S):

Amend the Investigator's recommendation as follows: Civil penalties of \$2,500 for each of four violations for a total of \$10,000 and 16 additional hours of CPE in individual income tax preparation, in addition to the 80 hours required for renewal.

**Board Discussion:** *There were comments that the civil penalty might be too harsh and that 1099's can sometimes be wrong. It should be considered that Reyes made a disclosure on the return that he was taking a contrary position to what the 1099 stated. There is no requirement that preparers audit information provided by clients. The client had an ongoing problem with fees. The Board also noted that Reyes did not research the issue appropriately before the return was filed and may have been motivated to please his client. He took an unsupportable position which was incorrect. Reyes did not demonstrate competency.*

**BOARD ACTION:** Moved by Klimowicz and carried to amend the committee's recommendation to assess a total civil penalty of \$500 (\$250 for each of 2 returns) in violation of OAR 801-030-0010 and require 16 additional hours of CPE.

Vote: 6 ayes, 1 excused (Morris)

1. h. 03-01-004 James K. Rosencrans

James Rosencrans (Rosencrans) continued to hold himself out as a licensed CPA although his license lapsed on July 1, 2001. He signed tax returns during 2002. During the 2003 filing season, Rosencrans sold his client list to another CPA firm, but continued to display his certificate on the wall, a sign on the office doorway and in the lobby of the building, and listed his name followed by CPA in a telephone directory.

Because of a medical condition which created an unusual and extraordinary restriction of his ability to understand and created short-term memory loss, Rosencrans was not aware that his permit lapsed. When he became aware, he took immediate corrective steps to bring himself back into compliance with the Board, including removing all advertisement which would suggest he is a CPA, arranging for a CPA to review and sign tax returns prepared by Rosencrans, and a request for reinstatement of his license to inactive status.

INVESTIGATOR RECOMMENDATION(S):

ORS 673.320(3) – Use of the Title Certified Public Accountant or CPA

Civil Penalty of \$15,000 (\$5,000 for each partial year of violation),

Payment of such penalty to be stayed due to medical conditions  
beyond licensee's control

\$15,000

Summary of Investigator Recommendation(s):

Civil penalties in the total amount of \$15,000, stayed and issue a consent agreement in place of a notice of civil penalty.

**COMMITTEE DISCUSSION:** The basis of the civil penalty was discussed and whether it should be assessed by calendar years or renewal years. It was agreed to calculate the penalty based on two renewal years, reducing the penalty to \$10,000. Because of the medical condition, the violation was thought to be unintentional.

**Board Discussion:** *Legal Counsel had a concern that the Board does not have the authority to issue a civil penalty and then stay it. The action must have pending terms or action, and then once the terms have been met, the civil penalty could be lifted. Other*

*alternatives are to adjust the amount of the penalty or issue a letter of concern. The Board could indicate on the order that a civil penalty of \$10,000 would be appropriate in this case; however, in consideration of the medical condition, a letter of censure is issued instead of the civil penalty. The Board was concerned that there was a year between failure to renew and the first surgery. Because of the medical condition, there may be a slow onset. The work that Rosencrans did at the onset of his condition is now being monitored and checked for accuracy by a peer.*

**BOARD ACTION:** Moved by Klimowicz and carried to issue a letter of censure, including language that the Board believes a \$10,000 civil penalty is appropriate for this violation, but chooses not to issue such civil penalty in consideration of Licensee's medical condition.

Vote: 6 ayes, 1 excused (Morris)

**1. i. 03-01-005 Johnson Smith and Associates  
Forrest R. Johnson  
Richard P. Smith  
Malcolm E. Baker  
Donald W. Brudvig**

Johnson Smith and Associates (JSA) submitted a letter to the Board requesting an exception to the branch office requirements. The letter submitted by JSA was on letterhead that listed the names of eight CPAs. Two of the eight CPAs were not included on the firm's registration form. JSA letterhead did not disclose that one of the CPAs is inactive. The letterhead included "PC" after the names of four of the eight CPAs. The professional corporations listed on the letterhead are not registered with the Board as firms.

JSA letterhead listed the following business organizations:

Forrest Johnson CPA, PC  
Richard Smith CPA, PC  
Donald Brudvig CPA, PC  
Malcolm Baker CPA, PC

Publication of these business organizations on firm letterhead constitutes holding out to clients as a business organization engaged in the practice of public accountancy. None of the professional corporations listed above are now, or have ever been registered as firms with the Board of Accountancy. JSA removed "PC" after each name after receiving notice of complaint from the Board.

Richard Smith, Forrest Johnson and Malcolm Baker do not include "PC" on their individual business cards. Donald Brudvig is retired and does not currently have a business card.

The names of Brudvig and Baker on JSA letterhead indicates that they are employed by or owners of JSA. Brudvig and Baker are not employees or owners of the firm. By including these names on JSA letterhead, JSA is presenting information that is false and misleading. JSA deleted the names Brudvig and Baker from letterhead after receiving notice of the complaint from the Board.

Brudvig renewed his license as inactive during June 2002. Brudvig stated that he did not hold out as a CPA after June 30, 2002, and was not responsible for JSA letterhead on which his name was listed as a CPA without indicating inactive status.

INVESTIGATOR RECOMMENDATION(S):

1. PENALTIES AGAINST INDIVIDUALS

ORS 673.160 – Registration of Business Organizations

ORS 673.320(4) – Permit or Registration Required

Unregistered professional corporation listed on JSA letterhead

Forrest R. Johnson, CPA \$1,000

Richard P. Smith, CPA \$1,000

OAR 801-010-0120(3)(c) – Inactive Status

Failure to include “inactive” on JSA letterhead

Donald Brudvig No Violation

Total civil penalties against individuals \$2,000

2. PENALTIES AGAINST FIRM

OAR 801-030-0020(4) – Public Communications and Advertising

Providing false or misleading information about the identity of individual members of the firm by including the names of Baker and Brudvig, who are not associated with JSA

\$2,000

Providing false or misleading information by including “Brudvig, CPA” on firm letterhead without including the qualifying term “inactive”

\$1,000

Total civil penalties against the firm \$3,000

Summary of Investigator Recommendation(s):

Civil penalties in the total amount of \$2,000 against individuals and civil penalties in the total amount of \$3,000 against the firm, for a grand total of \$5,000.

COMMITTEE DISCUSSION: Baker is associated with the firm as “of counsel” and reported that he will retire this year. Brudvig retired in 2002. Baker and Brudvig as individual PCs are not registered with the Board. The committee felt that Baker should have known of the violation since he was still in association with the firm, whereas it’s more difficult to ascertain that Brudvig had the same awareness. Baker states that he was unaware of the complaint. Neither Johnson’s nor Smith’s individual PC is registered with the Board. The firm was warned about the same issue prior to this complaint.

COMMITTEE’S RECOMMENDATION(S):

Amend the Investigator’s recommendations as follows:

1. PENALTIES AGAINST INDIVIDUALS

ORS 673.160 – Registration of Business Organizations

ORS 673.320(4) – Permit or Registration Required

Unregistered professional corporation listed on JSA letterhead

Forrest R. Johnson, CPA \$ 2,500

Richard P. Smith, CPA \$ 2,500

(add) Malcolm Baker, CPA \$ 2,500

OAR 801-010-0120(3)(c) – Inactive Status  
Failure to include “inactive” on JSA letterhead  
Donald Brudvig

No Violation

Total civil penalties against individuals \$ 7,500

## 2. PENALTIES AGAINST FIRM

OAR 801-030-0020(4) – Public Communications and Advertising  
*Providing false or misleading information about the identity of individual members of the firm by including the name of Brudvig, who is not associated with the firm and by including “Brudvig, CPA” on firm letterhead without including the qualifying term Inactive*

\$ 2,500

Total civil penalties against the firm \$ 2,500

**Total civil penalties:** **\$10,000**

**Board Discussion:** *It appears from the letterhead that each of the individual licensees is offering public accounting services as a professional corporation and should therefore be registered as a firm. A letter was received from Baker after the committee made its recommendation, stating that he had no input on the letterhead. There was discussion about the amount of the civil penalty; however, the firm ignored a previous warning, which justifies a higher civil penalty.*

**BOARD ACTION:** Moved by Gaffney and carried to amend the committee’s recommendation as follows: Exclude Baker from penalties. Assess \$2,500 civil penalty each to individuals Johnson and Smith and assess civil penalty of \$2,500 to the business, for a total of \$7,500.

Vote: 6 ayes, 1 excused (Morris)

## 12. LEGAL

### A. Report of Legal Items

#### 1. Proposed Orders After Hearing:

a. None

#### 2. Proposed Consent Orders

##### a. Harry Kylo

Harry Kylo’s attorney, John Barker, proposed a consent agreement, which was reviewed by the Board.

**BOARD ACTION:** Moved by Gaffney and carried to reject the proposed consent order.

Vote: 6 ayes, 1 excused (Morris)

**B. Other**

**1. Revocation Violation**

**a. Jerome Caplan**

Caplan's CPA permit was revoked on April 26, 2000. The Investigator visited Caplan's office on March 7, 2003 and discovered his door sign states "Jerome K. Caplan, CPA" and his business card says "Jerome K. Caplan, Certified Public Accountant". The Investigator requested tax preparer information from the Department of Revenue (DOR) and received evidence that Caplan has continued to prepare tax returns after the revocation, using his CPA number. DOR provided evidence of approximately 50 returns. Caplan is not licensed with the Tax Board.

**Board Discussion:** *Caplan's license was originally suspended for failure to respond to Board communications. His license was revoked when he continued to hold out while suspended and for falsely representing that he was enrolled in an accepted peer review program. Legal Counsel suggested that this case could be referred to the Department of Justice for violations of the Unfair Trade Practice Act with a letter of warning to cease holding out. The Board discussed a civil penalty of \$270,000: \$5,000 for each tax return signed and \$20,000 for holding out (\$5,000 for each of four incidents: kiosk, business card, and on the office door for two years). An accurate count of the signed returns will be determined.*

**BOARD ACTION:** Moved by Klimowicz and carried to impose a civil penalty of \$5,000 for each tax return Caplan signed in the years 2000 and 2001, the total to be determined based on an accurate count of returns, plus an additional \$20,000 for holding out. The file should also be referred to the Department of Justice for action under the Unfair Trade Practice Act.

Vote: 6 ayes, 1 excused (Morris).

**13. QUALIFICATIONS COMMITTEE**

**A. Report of Qualifications Committee**

**1. Acceptance of Minutes**

**a. April 24, 2003**

Moved by Klimowicz and carried to accept minutes.

Vote: 6 ayes, 1 excused (Morris)

**B. Consent Agenda**

**1. Recommendations**

Moved by Klimowicz and carried to approve items on the consent agenda.

Vote: 6 ayes, 1 excused (Morris)

**a. Syed Abid Hassan**

**02-04-0013**

Mr. Hassan gained experience with the following employers:

Tetra Pak Mfg	33 mo	Other Professional Stnds.
Ernst & Young	112 mo	Used a portion for the exam (form not returned)

Mr. Hassan passed the CPA Examination in May 1996. Mr. Graybeal reviewed the experience provided by the employer. The experience is very broad based and demonstrates competence in the seven areas.

**b. Keri Lynn Thompson** **03-03-0005**

Ms. Thompson gained experience with the following employers:

Nike	17.5 mo.	Equiv. Experience
The Portland Clinic	3 mo.	No competencies

Ms. Thompson passed the Uniform CPA Examination in November 2000 and has met the 150 hour rule. Mr. Hester reviewed the documentation and finds that the applicant has demonstrated competency in all seven areas.

COMMITTEE RECOMMENDATION: Approve.

**c. Holly Lantos** **03-04-0006**

Ms. Lantos gained experience with the following employers:

AT&T	7 mo.	Equivalent Exp
Chubb & Son Inc	36 mo	A,C,D,F,G

Ms. Lantos passed the Uniform CPA Examination in November 2000. Ms. Lantos worked for AT&T since March 1999, however, was not directly supervised by the mentor until January 2002. Committee noted that the applicant had a total of 48 months experience at AT&T.

COMMITTEE RECOMMENDATION: Approve.

**2. Other**

a. None

**3. Approval of Applications**

**a. CPA Certificates/Permits**

37 Applications

**b. PA Licenses/Permits**

None

**c. Firm Registrations**

13 Firm applications

**d. Substantial Equivalency**

4 Authorizations

**14. CPA EXAM**

**A. Candidate Statistics**

The Board reviewed pre-exam statistics from the May 2003 CPA exam. 435 candidates applied, 21 were ineligible or withdrew. There were 98 new candidates and 301 returning. 38 Oregon candidates sat in another state, and there were 15 candidates from other states who sat in Oregon.

**B. Exam Statistics**

The Administrator reviewed the expense worksheet from the May 2003 examination.

**15. OLD BUSINESS**

None

**16. NEW BUSINESS**

None

**17. PROCESS OBSERVER REPORT**

Weiner reported that the meeting went well and stayed on course. Andersen requested an overview and history of the process observer function, which is included in the Member Handbook.

**18. NEXT MEETING**

Date: August 18, 2003  
Location: Board of Accountancy  
3218 Pringle Rd SE #110  
Salem, Oregon  
Time: 8:30 a.m.

**19. ADJOURNED**

There being no further business, the meeting adjourned at 2:00 p.m.