

OREGON BOARD OF ACCOUNTANCY
BOARD MINUTES
May 23, 2011

Inn at Spanish Head

El Toro Room

Lincoln City, OR

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

BOARD MEMBERS:

Dr. Ray Johnson, CPA, *Chair*
Roberta Newhouse, CPA, *Vice Chair*
Jessie Bridgham, CPA, *Treasurer*
Kent Bailey, CPA
Al Crackenberg, PA
Ann Ferguson, CPA
Dr. Roger Graham, *Public Member*

BOARD STAFF:

Pat Hearn, Executive Director
Kimberly Bennett, Exec. Assistant
Noela Kitterman, Investigator
Susan Bischoff, AAG

GUESTS:

Michele Henney, OSCP Representative
Stuart Morris, PA, OAIA Representative
Brian Stevens, CPA (9:00 a.m.)
Chris Shatz, Atty (9:00 a.m.)

Christopher Campbell
Martin Hennick, CPA (9:45 a.m.)
Rosalina Wong (10:00 a.m.)

1. CALL TO ORDER

Chair Johnson called the meeting to order at 8:33 a.m., and announced the meeting was being recorded. Kent Bailey was asked to serve as process observer for this meeting. Guests were welcomed.

2. APPROVAL OF MINUTES

The minutes from the February 7, 2011 meeting were reviewed. It was noted that Dr. Graham left the meeting early and the votes in the afternoon need to reflect his absence.

BOARD ACTION: Moved by Ms. Ferguson and carried to approve minutes with corrections to voting by Dr. Graham.

VOTE: 7 ayes.

3. REPORT OF CHAIR

A. Standard setting for Nonpublic Entities

The Blue Ribbon Panel sent a memorandum outlining opinions on the idea of setting standards for non-public entities. This topic will be discussed at the NASBA Regional meetings and this information is provided as background on the topic, including views of the majority, minority and the blue ribbon panel. It is the majority view of the BRP that the current FASB and even a restricted FASB cannot produce the needed exceptions and modifications to the GAAP for private company financial reporting. The BRP majority believe that a more realistic path in overcoming the systemic issued related to relevance of GAAP is to establish a new Board.

B. NASBA Director at Large

Nominations for NASBA Director at Large have been presented for the Board to review. Laurie Tish from Washington is one of the nominees. Ms. Tish has served as Pacific Region Director for three years, and came to a Board meeting two years ago. She is a partner at Moss Adams in Seattle.

BOARD ACTION: Moved by Mr. Bailey and carried to send a letter supporting Ms. Tish as Director at Large.

VOTE: 7 ayes.

C. NASBA Regional Meeting

The Chair requested Board approval for Mr. Hearn attend the Western Regional Meeting held in Omaha, Nebraska in June 2011. Mr. Bailey and Ms. Newhouse will also be attending.

BOARD ACTION: Moved by Ms. Newhouse and carried to approve travel to Omaha.

VOTE: 7 ayes.

4. REPORT OF VICE CHAIR

A. Task Forces

The Board would like to establish two task forces, one for developing recommendations on the definitions of retired, lapsed and inactive statuses and another task force to develop a business plan for semi-independence.

B. Delegated Authority

The delegated authority list was discussed at the work session. It was recommended adding authority to the executive director to sign subpoenas, notice of intent and final orders that had not been significantly changed since Board vote. Mr. Hearn shall report at each Board meeting what orders, subpoenas and notices have been signed in the interim.

BOARD ACTION: Moved by Ms. Newhouse and carried to add these processes to delegated authority list and present at next Board meeting.

VOTE: 7 ayes.

5. TREASURY REPORT

The Board reviewed the latest cash flow reports. Mr. Hearn was told that the Board can expect a sweep of 300-550K, however, our ending balance is approximately 200K less than what we expected. The Board asked Mr. Hearn to convey to Legislative Fiscal the difference in the anticipated ending balance.

6. COMPLAINTS COMMITTEE

A. April 22, 2011 Meeting Minutes

For informational purposes only.

B. Complaint Investigations

CONSENT AGENDA

1. Giancarlo Pozzi 10-029CDC

Mr. Pozzi has a business association with a firm that was registered with the Board in 2009. The relationship was unsuccessful and resulted in a dispute between the parties which remains unresolved. When Mr. Pozzi left the firm, he took records and working papers for clients that had been his personal clients prior to the partnership. The other party believes that Mr. Pozzi violated record retention rules by removing the original client files.

The investigator, Don Crabtree verified that electronic copies of the files were provided to the partner and therefore there was no record retention

COMMITTEE RECOMMENDATION: Insufficient evidence to make a preliminary finding of violation of OAR 801-030-0015(2)(d), Client Records and Working Papers, related to the custody and disposition of working papers; insufficient evidence to make a preliminary finding of violation of OAR 801-010-0345(1), Registration of Business Organization, insufficient evidence to make a preliminary finding of violation of OAR 801-010-0345, Requirement to Register as a firm. Insufficient evidence to make a preliminary finding of a violation of OAR 801-050-0020(1), Peer Review Enrollment Requirement, and insufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(1), client records, related to the practice of depositing checks payable to Capstone in personal account.

BOARD ACTION: Moved by Ms. Newhouse and carried to find insufficient evidence on all matters.

VOTE: 7 ayes

2. Douglass-Harmon CPA LLC 10-127CNK

The Board staff opened a complaint, when evidence was obtained during firm registration renewal that Douglass-Harmon CPA LLC, failed to enroll in a peer review program as required. Ms. Harmon replied to the complaint stating that the firm was not required to enroll because they do not provide compilation services other than "management use only" financial statements. There are new standards under SSARS 19 and it was determined that the firm is in compliance with these standards.

COMMITTEE RECOMMENDATION: Insufficient evidence to find a violation of OAR 801-050-0020(1) OAR 801-030-0010(5)

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation of insufficient evidence.

VOTE: 7 ayes

3. Terra Elliott

11-005CNK

The Board received an application for a CPA certificate from Ms. Elliott. The application indicated an email address that included the "CPA" designation after her name. The Board investigator notified Ms. Elliott that it was inappropriate for her to use the designation prior to being licensed.

Ms. Elliott joined the committee meeting by phone and apologized for her misjudgment. Her husband set up the account for her and put the designation in because he was proud of her accomplishments. The email address was only used in correspondence with the board office and the AICPA. She has removed "CPA" from her email address.

COMMITTEE RECOMMENDATION: The committee found that there was insufficient evidence to find a violation of ORS 673.320(3).

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation of insufficient evidence for violation.

VOTE: 7 ayes

C. Investigations for Discussion

1. Brian Stevens

09-008CNK

Brian Stevens was one of the four owners of Summit 1031 Exchange and also part owner of Inland Capital Corporation. Lisa Stassi, manager for Smithridge Investor, entered into a contract with Summit 1031 Exchange that stated the exchanger's funds would be held in account in Wells Fargo bank. Instead, Mr. Stevens and Mr. Neuman loaned the funds to Inland Capital Corporation and the money was used to purchase real estate investment property. With the economic downturn that began in 2007, Inland's ability to meet their debt obligations became difficult and the money invested was lost. Summit CPA Group LLC filed for Chapter 11 Bankruptcy when the company was unable to collect from Inland Capital Corporation.

Mr. Stevens has plead guilty to felony offenses in federal court and is scheduled to be sentenced in September 2011. Mr. Stevens accepts responsibility for his actions.

Mr. Stevens and his attorney, Mr. Shatz, attended the Board meeting. Mr. Hearn and Mr. Shatz negotiated a proposed Stipulation and Order which was available for board review. Mr. Hearn commented that the negotiations were straight forward and conducted in good faith. The stipulation and order allow Mr. Stevens to renew his CPA license that is up for renewal on June 30, 2011. The Board will then revoke the license effective August 15, 2011. This one and a half month period will

allow Mr. Stevens to contact his clients, let them know of his situation, tie up loose ends and work to sell his clients to a local CPA.

The order also requires that Mr. Stevens notify clients, by June 1, 2011, that he will no longer be in business as of August 15, 2011. Mr. Stevens' license will be revoked effective August 15, 2011.

BOARD ACTION: Moved by Ms. Bridgham and carried to accept the Stipulation and Order as modified.

VOTE: 7 ayes.

2. Mark Neuman 09-009CNK

The background and facts in this matter are the same as the Brian Stevens case. Mr. Grover, Mr. Neuman's attorney, sent a letter to the Board indicating that neither would be attending the Board meeting and that it was their position that the record presently before the Board is insufficient to support a finding of violation. Mr. Grover indicated that further action in this matter should be stayed pending final resolution of the criminal case.

The Board believes that there is more than just the complainant that was affected by the actions of the licensees in this matter. The board would like to keep this case moving and seek to revoke Mr. Neuman's license to practice.

BOARD ACTION: Moved by Ms. Newhouse and carried to find sufficient evidence for violations of OAR 801-030-0020(1).

VOTE: 7 ayes.

3. Summit CPA Group LLC 09-010CNK

The background and facts in this matter are the same as the Brian Stevens and Mark Neuman cases. The firm Summit CPA Group LLC has been terminated since December 31, 2009.

BOARD ACTION: Moved by Ms. Newhouse and carried that the Board takes no action on the complaint against the firm because it is terminated and no longer in operation.

VOTE: 7 ayes

4. Jay Ternberg 10-094CNK

Mr. Ternberg provided tax and accounting services for Mr. and Mrs. Hice and their company Hice Enterprises Inc. Their daughter, Janet Wright, was appointed Trustee of the Thurman L. and Betty J. Hice Trust and Agent and Attorney-in-fact in a Durable Springing General Power of Attorney.

The complaint alleges that Mr. Ternberg did not respond timely to Ms. Wright's requests for information on her parents accounts. Mr. Ternberg advised the Board

that he met with the Hices, and they told him not to release their financial information to the daughter.

Both the Board and the Complaints Committee discussed the interaction between all parties in this matter and the fact that Mr. Ternberg had a personal relationship with the Hices.

The committee recommended that there was sufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1)(b) – two counts, OAR 801-030-0020(7)(c) and OAR 801-030-0020(1).

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation.

VOTE: 7 ayes

5. Martin Henick

10-109CNK

Mr. Henick attended the Board meeting. Mr. Henick prepared a 2008 personal tax return for Emilano Lakota and a 2008 business tax return for Mr. Lakota's LLC, Nevcol LLC. The client discovered an error on the business return which Mr. Henick did not correct.

Mr. Henick also prepared a 2009 tax return for Open Range Station Corp, another business owned by Mr. Lakota. When the return was complete, Mr. Henick took it upon himself to e-file the return prior to review by the client.

Mr. Lakota found an error on the filed return which caused a \$128.00 difference. Mr. Henick was not willing to make an adjustment due to the insignificant amount of money involved.

Mr. Henick admitted learning a painful lesson on the e-filing requirements and those are no longer being done in his office.

The complaints committee recommended that there is sufficient evidence to make a preliminary finding of violation for OAR 801-030-0010(1)(b) and OAR 801-030-0020(1).

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation.

VOTE: 7 ayes.

6. Susan MacGlashan

11-016CNK

The Board staff opened an investigation on Ms. MacGlashan after receiving her reinstatement application. She indicated on the application that she had used the "CPA" designation during the period she was inactive.

Ms. MacGlashon states that her use of the designation while inactive was due to a gross misunderstanding and that she never tried to misrepresent herself or try to attain clients.

The Board and committee noted the integrity shown by voluntarily coming forward to report her misuse of the designation. Ms MacGlashon has since reinstated her license to active status.

The committee found that there was sufficient evidence to find a violation of ORS 673.320(3).

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation.

VOTE: 7 ayes.

D. New Committee Members

1. Joshua Dunlap
2. John Lauseng

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the new members to the Complaints Committee.

VOTE: 7 ayes

7. PROPOSED CASE SETTLEMENTS

A. Michael Nease

This matter has not previously come before the Board. It was settled after completion of the investigation. Mr. Nease embezzled money from his employer, Hughes Fire Equipment, Inc., totaling over \$105,000. Mr. Nease agreed to have his CPA license revoked by the Board effective May 24, 2011.

BOARD ACTION: Moved by Mr. Bailey and carried to accept the Stipulation and Order revoking Mr. Nease's CPA license.

VOTE: 7 ayes.

B. Jennifer Tan

The Board was presented a Stipulation and Order for Jennifer Tan. Ms. Tan is not a licensed CPA in Oregon, but does have an inactive CPA license in California. Ms. Tan used the CPA designation, while campaigning for West Linn City Council, without stating it was a California license and not an Oregon license.

Ms. Tan has agreed to pay a civil penalty of \$750.

BOARD ACTION: Moved by Ms. Ferguson and carried to accept the Stipulation and Order as presented.

VOTE: 7 ayes.

C. Bob Keller

Mr. Keller's matter was before the Board at the February 2011 meeting. Mr. Keller provided accounting services for a business and under reported their income resulting in an overpaid refund. The clients were then audited by the IRS who found the errors in the tax return reporting.

Mr. Keller has signed the proposed Stipulation and Order requiring him to pay a \$3500 civil penalty.

BOARD ACTION: Moved by Ms. Bridgham and carried to accept the Proposed Stipulation and Order.

VOTE: 7 ayes.

D. Rosalina Wong

Ms. Wong attended the Board meeting. Ms. Wong is a licensed CPA in Oregon. On her 2010 renewal application she reported CPE that she never took and forged completion certificates.

A settlement agreement was presented to the Board whereas Ms. Wong would be required to pay a \$2,000 civil penalty and her license would be suspended for a period of 60-months.

Ms. Wong indicated to the Board members that she did not intend to deceive the Board.

The Board discussed the proposed order and believes that Ms. Wong's actions are egregious enough to warrant a revocation of her license.

BOARD ACTION: Moved by Ms. Ferguson and carried, to reject the proposed stipulation and order and proceed with an order to revoke her license.

VOTE: 7 ayes

E. John Gregor

The Board was presented an interim stipulation and order for Mr. Gregor in February. The order stipulated that Mr. Gregor resign his license by May 3, 2011 and pay \$3500 for partial reimbursement of the costs incurred by the Board relating to this matter.

A Final Stipulation and Order was presented to the Board. It states that Mr. Gregor will not engage in the practice of public accounting in any manner whatsoever, including supervision of any accounting personnel or professional staff, review of their work or solicitation of client engagements for himself personally or for any other accounting firm or practitioner.

BOARD ACTION: Moved by Ms. Bridgham and carried to accept the Stipulation and Order presented for Mr. Gregor.

VOTE: 5 ayes, 2 abstentions (Bailey and Ferguson did not participate because they had reviewed related audit papers during the investigation)

F. Brian Stevens

See 6.C.1. for discussion and vote

G. Kenneth Ulbricht

The Board was presented a Proposed Stipulation and Order for Mr. Ulbricht. On December 6, 2010 the Board voted unanimously to make a preliminary finding of a violation of OAR 801-030-0015(2)(b)(B), requested records. Mr. Ulbricht did not respond in a timely manner to the Board's efforts to negotiate a settlement. Mr. Ulbricht agreed to pay a civil penalty of \$1,000.

BOARD ACTION: Moved by Ms. Bridgham and carried to accept the Stipulation and Order presented to the Board as written.

VOTE: 7 ayes.

H. Donald Wilson

Mr. Wilson's firm, Donald Wilson CPA PC, did not participate in a peer review for many years. The firm renewal forms indicated that the firm was enrolled when, in fact, it was not.

The Board voted unanimously at the December 6, 2010 meeting to make a preliminary finding of eight violations for Mr. Wilson's actions.

The Proposed Stipulation and Order presented to the Board includes a \$16,000 civil penalty, and a restriction on Mr. Wilson's license. Mr. Wilson will be prohibited from performing any attest or compilation work.

BOARD ACTION: Moved by Ms. Ferguson and carried to accept the proposed stipulation and order.

VOTE: 7 ayes

I. Robert Bennett

The Board was presented with a proposed Stipulation and order for Mr. Bennett. The order proposes a \$1,500 civil penalty.

BOARD ACTION: Moved by Ms. Bridgham and carried to accept the proposed order.

VOTE: 7 ayes.

8. REPORT OF THE EXECUTIVE DIRECTOR

A. On-Line Licensing Project Update

Mr. Hearn reported that the contract for online licensing was signed on May 13, 2011. GL Solutions, a company out of Bend, Oregon was chosen. Mr. Hearn and Ms. Bennett went to Bend on May 20th to meet with the developers and get the project started.

B. 8-year Rule Extension Request – Cynthia Toman

Ms. Toman sent the Board a letter requesting an 8-month extension to the 8-year rule. Ms. Toman passed the examination in November 2003 and began working for the Department of Revenue in January 2004. She was an entry level tax auditor and a Senior Tax Auditor, up until March 31, 2011, when she was assigned to be an Internal Auditor. In her current position she is under the direct supervision of a licensed CPA.

Ms. Toman explained that the position had a delay in being filled due to budgetary constraints and that is why she is requesting an extension.

BOARD ACTION: Moved by Dr. Graham and carried to accept grant Ms. Toman an 8-month extension of time to gain her experience for certification.

VOTE: 7 ayes.

C. Christine Clemmer – Reinstatement Application

Ms. Clemmer applied for reinstatement for her CPA license. Heather Shepherd, Licensing Coordinator, prepared a chronology of Ms. Clemmer's license history for Board review. She has had a history, since 2002, of letting her license lapse each June and then reinstating around February the following year.

The Board asked Noela Kitterman, Board investigator to find out if Ms. Clemmer signed any tax returns while on lapsed status and also would like board staff to check her CPE to be sure it is legitimate and that she has taken the courses she reports to have taken.

BOARD ACTION: Moved by Ms. Ferguson to defer action on this matter until the August meeting.

VOTE: 6 ayes, 1 nay (Bridgham)

D. Ronald Bales CPA PC re: Peer Review

Mr. Bales sent the Board office a letter requesting an extension of time to obtain a peer review for an audit done in 2010. The Board agreed to a 6-month extension. Mr. Bales must have the review done by October 1. He must send proof to the Board office to be included in Board packet for the October meeting. In addition, Mr. Bales must provide the name of the reviewer, advise of peer review status and send a copy of the engagement letter to the Board office.

BOARD ACTION: Moved by Mrs. Ferguson and carried to grant a 6-month extension with the above provisions.

VOTE: 7 ayes.

E. Gary Field CPA PC Extension Request

Mr. Field owned a CPA firm in Silverton Oregon. He died suddenly and tragically in April 2011. Mr. Field was the sole shareholder of his firm, with an employee who is a licensed tax consultant and other non-licensee employees.

Mr. Clark Williams, Atty., represents Mr. Fields' wife. Ms. Fields is sole beneficiary she realized that she is out of compliance with Board rules regarding non-CPA owned business. The request has been made for the board to allow an extension of time to meet the Board rules.

BOARD ACTION: Moved by Dr. Johnson and carried to grant an 180-day extension.

VOTE: 7 ayes.

F. Patrick Meadows – Exam Exception Request

Mr. Meadows is an CPA exam candidate. He wrote to the Board requesting a consolidation of his passed exams because they fell outside the 18-month window. Mr. Meadows expressed his frustration and lack of confidence in the grading procedures for the examination as well.

Ms. Ferguson recused herself from discussion on this matter because Mr. Meadows was an employee of Deloitte and Touche. The Board does not believe Mr. Meadows' circumstances warrant a waiver of Board rules.

BOARD ACTION: Moved by Dr. Graham and carried to deny the request made by Mr. Meadows.

VOTE: 6 ayes, 1 abstention (Ferguson)

PUBLIC COMMENTS

There were no public comments

9. REPORT OF OAIA

Mr. Morris indicated that the OAIA is having a "Meet your Legislators" event.

10. REPORT OF THE OSCPA

Ms. Henney reported that Cheryl Langley extends a thank you to the Board for the lovely gift presented to her at the retirement party. Sherrie McPherson has accepted the position of President of the OSCPA.

11. OLD BUSINESS

None

12. CONTINUING PROFESSIONAL EDUCATION

A. Minutes of April 26, 2011
Information only

B. Municipal Auditor Applications

1. Approved Applications

- a. Tara Kemp
- b. Harold Chadwick Klein
- c. Danielle Marie Groves
- d. Wendy Elizabeth Liniger
- e. Sandra Freeman
- f. Mick Poole
- g. Susan Williamson

BOARD ACTION: Moved by Mr. Bailey and carried to approve the applications.

VOTE: 7 ayes

2. Municipal Grid

The Committee reviewed the Municipal Grid at their meeting. The primary problem with the grid is that it is used as a listing of approved courses and not as a guide. In addition, only OSCPA-offered courses have been historically listed on the grid.

The Board discussed the possibility of having the OSCPA post the grid or a link to the Board of Accountancy website.

13. PEER REVIEW OVERSIGHT COMMITTEE

No meeting held

14. QUALIFICATONS COMMITTEE

A. Minutes of April 27, 2011
Information only

- B. Consent Agenda
 - 1. Recommendations
 - a. Brianne Hirning
 - b. Lael Morris
 - c. Nadejda Skryabina
 - 2. Approval of Applications
 - a. 120 CPA Certificate Applications
 - b. 0 PA Permits
 - c. 18 Firm registrations

BOARD ACTION: Moved by Ms. Ferguson and carried to accept the consent agenda.

VOTE: 7 ayes

- C. Applications for discussion
 - 1. Christopher Campbell

Mr. Campbell passed the examination in February 2006 and gained experience while working as the CEO/CFO at Shilo Management Corporation. Mr. Campbell did not have a qualified supervisor licensee that worked for Shilo. Shilo entered into a contract with an external auditing firm, Taskar Kibbee & Associates PC, specifically, Roberta Taskar, to serve as his supervisor licensee. The Board questioned the supervisor relationship in terms of an external auditor having any input on the discharge of the CFO and CEO of a company.

The Qualifications Committee and the Board previously voted to deny the application for Mr. Campbell.

Mr. Campbell was present and addressed the Board regarding the denial. He reiterated his position and relationship with the supervisor licensee, Roberta Taskar. He indicates that he has between 1 and 2 hours per week of supervision.

The Board stands behind their previous decision to deny the application submitted by Christopher Campbell.

- D. New Committee Member
 - a. Denise Teixeira

BOARD ACTION: Moved by Ms. Ferguson and carried to approve Denise Teixeira as a committee member to the Qualifications committee.

VOTE: 7 ayes.

15. CPA EXAM

A. CBT Statistics – Information Only

The Oregon Board received 1,301 applications in 2010 and candidates sat for 2,223 sections. Our pass rate averages 56% per testing window.

B. AICPA Exam Statistics

The AICPA published national pass rates for the examination for 2010 . The cumulative pass percentage for each section is as follows: Audit 43.88%, BEC 42.32%, FAR 42.43% and REG 41.28%.

C. Top Score Report – 2010

A list of the top 10 scorers for the 2010 testing period was presented to the Board for review. The candidates were recognized at the OSCPA banquet earlier this month. Congratulations to all our outstanding candidates.

17. CODE OF PROFESSIONAL CONDUCT

No meeting held

18. NEW BUSINESS

None

19. PROCESS OBSERVER

The Board concluded that they will no longer appoint a process observer.

20. ADJOURN at 2:50 p.m.