

MINUTES OF THE KANSAS BOARD OF ACCOUNTANCY
JANUARY 21, 2005
9:00 AM
LANDON STATE OFFICE BUILDING, ROOM 106
TOPEKA, KS

1. ADMINISTRATIVE MATTERS:

A. CALL TO ORDER:

Paul Allen, CPA, Chair, called the meeting to order. Board members in attendance were Mr. Allen; Jeff Bottenberg, Public Member; Adley Johnson, CPA; Lois Loucks, Public Member; Tim Mitchell, CPA; Ginger Powell, CPA; and Kent Smoll, CPA. Also in attendance were Susan Somers, Executive Director; Derenda Mitchell, Assistant Attorney General, Disciplinary Counsel to the Board; Mary Feighny, Assistant Attorney General, General Counsel to the Board; Bev Ries and Robert Challquist, Kansas Department of Revenue; and John Jarvis and Joyce Schartz, Public Accountants Association.

B. 1-4 CONSENT CALENDAR:

The Board reviewed the minutes of the December 10, 2004 meeting; reciprocity certificates/permits to practice/practice by notification; registrations of new/reorganized firms and the second quarter financials. Mr. Smoll moved and Mr. Mitchell seconded to approve the consent calendar. Upon a vote, the motion carried.

2. CPA EXAM MATTERS:

A. The Board reviewed the grades from the October/November 2004 testing window previously approved by Mr. Johnson. Ms. Somers reported that there were 29 out of a total of 221 candidates who successfully passed the exam, 10 of which were first-time candidates. Mr. Smoll moved and Mr. Mitchell seconded to ratify the approval of the grades. Upon a vote, the motion carried.

B. The Board reviewed a joint letter from the AICPA, NASBA and Prometric relative to an increase in candidate fees for the CPA exam. Prometric announced that the per hour seat charge will increase from \$17.00 per hour to \$22.50 per hour for any Authorizations to Test (ATT) issued on and after July 1, 2005. The AICPA will announce their fee increase to its examination section fees on April 1, 2005 that will affect ATT's issued on or after January 1, 2006. NASBA will not increase its fees until at least January 1, 2007. The increase in fees is a direct result of the total volume of candidates being lower than originally projected. No action was required to be taken.

C. Mr. Johnson, the Board's designated appointee to consider requests for waivers of course requirements for the CPA exam, related his concern over a large number of requests for waiver of two to three hours of the written and oral communications requirement for the CPA exam. The majority of the requests come from KU students; however, it is not uncommon for a student from the other colleges and universities in Kansas to make the same request. Ms. Somers suggested that a letter be sent to the colleges and universities in Kansas outlining the Board's regulation and policy relating to the requirements to sit as a Kansas CPA exam candidate and to specify what courses are and are not considered by the Board to meet the communications requirement. Ms. Loucks moved and Mr. Johnson seconded to instruct Ms. Somers to draft a letter, with Mr. Allen's review and approval. Upon a vote, the motion carried.

D. The Board reviewed a request for waiver of the written and oral communications requirement from Narine Graber. Ms. Graber has a foreign transcript from the Soviet Union, the American University of Armenia and Wichita State University. The transcript evaluation from the Soviet Union indicates an English language course, and her request for a waiver indicates that she took 2 English courses from the University of Armenia. The Wichita State University transcript shows that she took a Business and Professional Technical Writing course for a total of three credit hours. After discussion, Mr. Johnson moved and Mr. Bottenberg seconded to disallow the English Language course taken in the Soviet Union as the Board deemed it to be a language arts course, which does not meet the Board's requirement for communications; to acknowledge the writing course taken at WSU and allow the 3-hour credit; and not allow the two English courses taken at the University of Armenia for the reason that they do not appear on the foreign evaluation. The Board will grant a waiver of 3 hours of the 11 hour requirement, which, coupled with the course taken at WSU, leaves her with having to take 5 hours of acceptable communications courses in order to be eligible to sit for the CPA exam as a Kansas candidate. Upon a vote, the motion carried.

3. FIRM MATTERS/PERMITS TO PRACTICE/CPE/RECIPROCITY/PRACTICE BY NOTIFICATION/PEER REVIEW:

A. The Board reviewed a list of firms who had not renewed their firm registrations. Ms. Powell moved and Mr. Smoll seconded to instruct Ms. Somers to issue a Cease and Desist Notice to any firm that had not renewed by the date of the Board's meeting and to inform the firms that to renew their firm registrations, they will need to pay a \$250.00 fine in addition to the \$60.00 late fee for practicing without being registered as a firm. Upon a vote, the motion carried.

B. The Board reviewed the firm registration of Douthett & Associates. Mr. Douthett had originally filed his firm renewal registration listing only one other staff accountant, rather than the two required to use the term "& Associates" thereby causing his renewal to be returned for falling out of compliance with K.A.R. 74-5-406. Subsequently, he contacted Ms. Somers indicating that he had another person who worked full time for a company, but worked part time for his firm. This same person had been claimed as a staff accountant for previous firm renewals. Ms. Somers stated that she had told him that the intent of the Regulation was to make sure that a firm's name was not misleading and that his part-time employee needed to work there longer than just during tax season to meet the requirement of the Regulation. Shortly thereafter, Mr. Douthett refiled his firm registration adding the part-time employee back in as a staff accountant and requesting clarification of the Regulation from the Board.

After discussion, the Board determined that the intent of the Regulation was unclear and that Mr. Douthett's firm renewal registration be accepted as submitted. Afterwards, to clarify the Board's intent in the Regulation, Mr. Bottenberg moved and Ms. Powell seconded to commence the regulation amendment process to amend the appropriate Regulation to define staff accountants as someone who works at least 1040 hours in a calendar year for the firm and require that the firm be the staff accountant's primary employer. Upon a vote, the motion carried, with Mr. Smoll voting against.

C. The Board reviewed a list of Peer Reviews due and in process. Ms. Somers reported that there were four firms who had not complied with their extension dates. Ms. Loucks moved and Mr. Johnson seconded to issue Summary Orders of suspension of the firm registrations or permits to practice (whichever was applicable) and impose a \$250.00 fine, for failure to timely comply with Peer Review, with the suspension being stayed, if the firm paid the fine and submitted a Peer Review letter of completion or an "in process" letter by March 15, 2005. Upon a vote, the motion carried.

Ms. Somers reported that there were several firms whose due dates would expire before the Board's next meeting in April. Mr. Johnson moved and Mr. Smoll seconded that for those firms who did not comply with their due dates, a Summary Order of Suspension of their firm registrations or permits to practice (whichever is applicable) and a \$250.00 fine be imposed for failure to timely comply with Peer Review. The suspension would be stayed if the firm paid the fine and submitted a Peer Review Letter of Completion or an "in process" letter by April 15, 2005. Upon a vote, the motion carried.

The Board reviewed an approval for a request for extension of the Peer Review of Charles Harrison, CPA, Kansas City, Missouri, by the Missouri Society of CPAs. This Peer Review has been in process since June of 2002. After discussion, Ms.

Loucks moved and Mr. Johnson seconded to extend the due date of the Harrison Peer Review to March 15, 2005 by which time the firm is to either produce a Letter of Completion, or another "in process" letter bearing a March 2005 date. Further, Ms. Somers is to draft a letter, with the review and approval of Mr. Allen, to the Missouri Society of CPAs, copying the firm and the AICPA, expressing the Board's concern over the way this Peer Review has been handled. Upon a vote, the motion carried.

D. The Board reviewed applications for Practice by Notification from two individuals with a firm in New York (Eisner LLP) whose Peer Review expired December 31, 2004. The firm's current Peer Review has been completed and submitted to the Center for Peer Review, but will not be through the Report Acceptance Body process until March 2005. The Center for Peer Review issued an "in process" letter; however, as Ms. Somers reported to the Board, there is no precedence in issuing a "conditional" practice by notification for "in process" Peer Reviews. Mr. Johnson moved and Mr. Mitchell seconded to issue conditional practice by notifications to the two individuals of the firm in question with a due date of April 15, 2005 by which to submit a Peer Review letter of completion, or another "in process" letter. Upon a vote, the motion carried.

E. The Board reviewed two oversight reports by Jay Cooper, the Board's Peer Review Oversight Member, for RAB meetings held October 19, 2004 and December 31, 2004. After review, Mr. Smoll moved and Mr. Bottenberg seconded to accept the reports. Upon a vote, the motion carried.

F. Ms. Somers reported that there had been no response to the letter sent to Thomson RIA requiring it to notify Kansas participants of NASBA's disqualification of one of its courses. Mr. Johnson, a member of NASBA's CPE Advisory Committee, advised the Board that this matter would be on the CPE Committee's agenda at a meeting to be held in March. The Board agreed to table this matter until the April 2005 meeting.

4. DISCIPLINARY HEARING MATTERS:

A. 10:00 AM ROBERT O. BRENTON: Mr. Brenton appeared before the Board for failure to timely file his tax returns and failure to pay taxes on behalf of others. Mr. Johnson recused himself from this matter.

Mr. Mitchell moved and Ms. Powell seconded for the Board to go into executive session for 15 minutes to deliberate the matter. Upon a vote, the motion carried.

After 15 minutes, the Board reconvened its regular meeting, at which time Ms. Powell moved and Mr. Smoll seconded to suspend Mr. Brenton's permit until such time as he received an approved tax clearance from the Kansas Department of

Revenue. Upon a vote, the motion carried, with Mr. Mitchell voting against and Mr. Johnson not participating in the decision.

B. 10:30 AM BENJAMIN GILES: Mr. Giles appeared before the Board for being publicly censured by the Internal Revenue Service and for failing to timely file his personal federal income tax returns for the years 2000, 2001 and 2002. Mr. Johnson and Mr. Allen recused themselves from this matter.

Mr. Smoll moved and Ms. Loucks seconded for the Board to go into executive session for 10 minutes to deliberate the matter. Upon a vote, the motion carried.

After 10 minutes, the Board reconvened its regular meeting, at which time Mr. Smoll moved and Ms. Loucks seconded to censure Mr. Giles for committing an act discreditable to the profession. Upon a vote, the motion carried, with Mr. Johnson and Mr. Allen not participating in the decision.

5. OTHER:

Ms. Somers reported on the status of Senate Bill 15, which is the proposed Bill to require all professional licensees to obtain an approved tax clearance before they can receive a license. Although the members of the Board supported the notion of a person having to pay his or her taxes, the Board expressed concern about errors that had been made in the past by the Department of Revenue and how that could unjustly affect a person's ability to get a license. Ms. Somers indicated that she would keep the Board apprised of the status of the Bill.

6. ADJOURN:

There being no further business to come before the Board, the meeting was adjourned.

/s/ Susan L. Somers
Susan L. Somers, Executive Director