

**MINUTES OF THE KANSAS BOARD OF ACCOUNTANCY  
APRIL 21, 2006  
9:00 AM, LANDON STATE OFFICE BUILDING, ROOM 106  
TOPEKA, KS**

**1. ADMINISTRATIVE MATTERS:**

**A. CALL TO ORDER:**

Ginger Powell, CPA, Chair, called the meeting to order. Board members participating in the meeting were Ms. Powell; Paul Allen, CPA; Jeff Bottenberg, Public Member; Adley E. Johnson, CPA; Pat O'Sullivan, Public Member; Kent Smoll, CPA; and Rodney Van Norden, CPA. Also participating in the meeting were Susan Somers, Executive Director; Mary Feighny, Assistant Attorney General, General Counsel to the Board; Derenda Mitchell, Assistant Attorney General, Disciplinary Counsel to the Board; Tony Scott, Kansas Society of CPAs; Roger Hoyt, Public Accountants Association; and Dr. Tom Clevenger, an accounting professor at Washburn University.

**B. 1-3 CONSENT CALENDAR:**

The Board reviewed the minutes of the January 27, 2006 and March 9, 2006 meetings; reciprocity certificates/permits to practice/practice by notification; registrations of new/reorganized firms; and the third quarter financials. Mr. Johnson moved and Ms. O'Sullivan seconded to approve. Upon a vote, the motion carried.

**2. CPA EXAM:**

A. After review of the grades from the January/February CPA exam testing window, Mr. Smoll moved and Mr. Van Norden seconded to ratify the grades as previously approved by Mr. Johnson and Ms. Powell. Upon a vote, the motion carried.

B. The Board reviewed the comparison of Kansas vs. the National CPA exam statistics. No action was required to be taken.

**3. CPE/PERMIT TO PRACTICE/PEER REVIEW/FIRM REGISTRATIONS:**

A. The Board reviewed a list of Peer Reviews due and "in process". Mr. Allen moved and Mr. Smoll seconded that, with the exception of any individual who was appearing before the Board for disciplinary matters, any firm or

individual who did not comply with their Peer Review due date prior to June 16, 2006, a Summary Order of Suspension of Firm registration and/or permit (whichever is applicable) would be issued, imposing a \$250 fine (or in the case of repeat violations, double the previous fine) with the suspension being stayed for thirty days from the date of issuance of the Summary Order, provided the fine was paid and a Peer Review letter of completion or "in process" letter was provided to the Board. Upon a vote, the motion carried.

B. Ms. Somers spoke to the Board about the upcoming Wichita State University (WSU) Accounting and Auditing Conference agenda, which was e-mailed to her, and which, after review, it appeared that some of the courses would not qualify for CPE credit. She stated that she had communicated back with the University and advised them that the Board does not pre-approve CPE courses, and that it's the sponsor's responsibility to make sure that the course complies with the CPE regulations. She asked the Board how this course should be handled for CPE credit for permit renewal purposes. Board members stated that it would be their hope that WSU would bring the course into compliance. However, the Board concluded that if a person, through the CPA audit process, claimed this course and, based upon the information submitted to substantiate the course, it was determined that the course did not qualify for the number of hours claimed, it would be brought to the Board's attention to determine a course of action.

Ms. Somers expressed concern over erroneous information that had been given regarding the subject matter of Circular 230 and that the Board had previously determined that a course dealing with this subject would not qualify for ethics credit. She was concerned that some people might attempt to claim it as ethics hours for their permit renewals. Mr. Smoll moved and Mr. Allen seconded that if anyone claimed Circular 230 as ethics CPE for permit renewal, they would be notified, and that they would have 90 days after their renewal date by which to complete acceptable ethics hours and provide proof to the Board. Upon a vote, the motion carried.

#### **4. OTHER:**

A. Dr. Tom Clevenger, an accounting professor from Washburn University in Topeka, presented a "Certificate in Accounting Program" created by Washburn University for candidates who don't want to obtain a masters degree, but want to take the necessary courses requisite to sitting for the exam. The program specifically sets forth the courses needed for a potential exam candidate, while emphasizing the Board's policies on specific courses. The Board thanked Dr. Clevenger for the school's efforts to accommodate the students, while not taking official action on the Program.

B. The Board discussed HB3004, brought about to accommodate one candidate for the acceptance of advanced placement courses. The Board was disappointed in the legislature's lack of understanding and complete disregard for the profession in passing this Bill without any research or thought towards unintended consequences. The Board also expressed concern that, once established, this type of behavior of someone not liking a Board ruling, and then going to the legislature, would affect other regulatory boards. The Board also expressed disappointment in the KSCPA's handling of the matter. The Board believes that the KSCPA should have been actively pursuing opposition to the Bill from the beginning.

Some discussion ensued about whether or not Ms. Somers should continue with doing pre-evaluation of transcripts for potential exam candidates, which is a valuable service to the candidates. However, after considerable discussion, the Board determined that Ms. Somers would continue to perform pre-evaluations, based upon her opinion founded by the Board's previous decisions and policies, but that if a candidate wanted to appeal that decision they could only do so once they officially applied for the exam, and then if a course or courses were denied, they could appeal to the Board.

## **5. REGULATION MATTERS:**

**AT 9:30 AM, UPON MOTION OF MR. SMOLL, SECONDED BY MR. VAN NORDEN, THE REGULAR MEETING WAS RECESSED IN ORDER TO HOLD A PUBLIC HEARING ON REGULATION CHANGES. UPON A VOTE, THE MOTION CARRIED.**

Ms. Powell convened the public hearing to consider amendments to K.A.R. 74-4-1a; 74-4-7; 74-4-8; 74-5-2; 74-5-101; 74-5-202; 74-5-203; 74-11-6 and 74-11-7.

Public attendees of the meeting were Tony Scott, Kansas Society of CPAs, Roger Hoyt, Public Accountants Association and Dr. Tom Clevenger, Washburn University.

No one testified for or against the adoption of these Regulations.

Ms. Powell then closed the public hearing.

**MR. ALLEN MOVED AND MS. O'SULLIVAN SECONDED TO RECOVER THE REGULAR BOARD MEETING. UPON A VOTE, THE MOTION CARRIED.**

Ms. Somers was instructed to take a roll-call vote of the Board members for the adoption of the regulations. All Board members in attendance voted in

favor of the amendments. The Regulations were declared to be approved and adopted.

## **6. COMPLAINT/DISCIPLINARY MATTERS:**

**10:00 AM JEROME S. TILZER** Mr. Tilzer did not appear for the hearing. Mr. Johnson and Mr. Bottenberg recused themselves from the hearing. Mr. Tilzer was charged with continuing to hold out and practice as a CPA without either a certificate or a permit; failure to file his corporate tax returns in Kansas; failure to file a firm registration; failure to comply with Peer Review; and for behavior reflecting adversely on his ability to practice certified public accountancy. After reviewing the evidence, Mr. Allen moved and Mr. Smoll seconded for the Board to go into executive session for ten minutes to deliberate the matter. Upon a vote, the motion carried.

When the Board reconvened, Mr. Van Norden moved and Mr. Smoll seconded to revoke the certificate and permit of Mr. Tilzer, and to impose a \$2,000 fine, which cannot be paid by credit card, and which is to be paid within thirty days of the date of the Certificate of Service on the Final Order. Upon a vote, the motion carried.

**10:30 AM JAMES L. IRELAND** Mr. Ireland appeared without counsel for the hearing. Ms. Powell, Mr. Allen and Ms. O'Sullivan recused themselves from the hearing.

Mr. Ireland entered into a Consent Order whereby, in lieu of discipline for violating the professional standards, he agreed to have all audit engagements reviewed by a qualified reviewer and correct any deficiencies noted by the reviewer prior to the issuance of any audit report. He retained Thomas H. Sewell, CPA to review an audit of the City of Sedgwick, who noted deficiencies in the audit and advised Mr. Ireland to make corrections. Mr. Ireland issued the audit without making the corrections, which was a violation of the terms of the Consent Order. In addition, during the time of Mr. Sewell's review, Ms. Somers had sent Mr. Ireland a certified letter requesting information relating to the issuance of his audits, and clarification of a statement made by Mr. Ireland in a previous communication. Mr. Ireland did not respond to that letter, as required by K.A.R. 74-5-407.

Mr. Bottenberg moved and Mr. Van Norden 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, Mr. Smoll moved and Mr. Bottenberg seconded to continue the deliberation for an additional 10 minutes. Upon a vote, the motion carried.

When the Board reconvened its meeting, Mr. Smoll moved and Mr. Van Norden seconded the following motion in regard to Mr. Ireland:

1. Recall the City of Sedgwick's audit report and reissue it only after: (a) correction of any and all deficiencies; and (b) approval by Mr. Sewell. The recall of the audit report, the corrections, the review, the approval by Mr. Sewell, and the reissuance shall occur within 45 days of the date on the Certificate of Service.

2. Pay a fine of \$1,000 within 45 days of the date of the Order, which cannot be paid by credit card.

Further, Mr. Ireland's firm registration is revoked and he is prohibited from providing any attest services. If he does not comply with any of the provisions, his certificate and permit will be revoked.

Upon a vote, the motion carried, with Mr. Johnson voting against. Mr. Johnson is concerned that the Board is setting a dangerous precedent by not requiring Mr. Ireland to have a Peer Review.

**11:30 AM DAVID SCHLOTZHAUER** Mr. Schlotzhauer did not appear for the hearing. Mr. Bottenberg recused himself from this matter. Mr. Schlotzhauer was charged with pleading guilty to a felony conviction, interstate transportation of Stolen Property, a class C felony. After reviewing the evidence, Mr. Smoll moved and Ms. O'Sullivan seconded to go into executive session for ten minutes to deliberate the matter. Upon a vote, the motion carried.

When the Board reconvened, Mr. Van Norden moved and Mr. Johnson seconded to revoke the certificate of Mr. Schlotzhauer and assess a \$2,000 fine, which cannot be paid by credit card, and which is to be paid within thirty (30) days of the date of the Order. Upon a vote, the motion carried.

## **7. ADJOURN**

There being no further business to come before the Board, Mr. Van Norden moved and Mr. Smoll seconded to adjourn. Upon a vote, the motion carried.

/s/ Susan L. Somers

Susan L. Somers, Executive Director