

**MINUTES OF THE KANSAS BOARD OF ACCOUNTANCY
JULY 20, 2007
9:00 AM, LANDON STATE OFFICE BUILDING, ROOM 106
TOPEKA, KS**

1. ADMINISTRATIVE MATTERS:

A. CALL TO ORDER:

Adley Johnson, CPA, Chair, called the meeting to order. Board members in attendance were Mr. Johnson; Paul Allen, CPA; Patricia O'Sullivan, Public Member; Ginger Powell, CPA; Kent Smoll, CPA; and Rodney Van Norden, CPA. Also in attendance were Susan Somers, Executive Director; Darin Conklin, General Counsel to the Board; Joyce Schartz and Victor Barbo, Public Accountants Association.

B. 1-2 CONSENT CALENDAR:

The Board reviewed the minutes of the June 29, 2007 meeting; reciprocity certificates/permits to practice/practice by notification; and firms. Mr. Smoll moved and Ms. O'Sullivan seconded to approve. Upon a vote, the motion carried.

2. CPA EXAM:

The Board reviewed the exam grades from the April/May 2007 testing window previously approved by Ms. Powell. Mr. Smoll moved and Ms. O'Sullivan seconded to ratify the grades. Upon a vote, the motion carried.

The Board reviewed a list of rescored exam candidates from the 2006 testing windows due to the cut and paste issue. None of the rescoring resulted in a change of pass or fail status for the candidates. No action was required to be taken.

The Board discussed the recent incident that an exam candidate had in the last testing window on the FAR section. In the research questions of the simulation section of the exam, he was unable to transfer his answers to the proper screen, which appears to be similar to the cut and paste issues that occurred in the 2006 testing windows. Ms. Somers reported that she had been in contact with the AICPA and with NASBA relative to his inability to transfer the answers, and that so far, the AICPA was taking the position that it was candidate error and that the responses did not appear to be favorable to the candidate. Due to the fact that this particular candidate has passed the other three sections of the exam with high scores, which utilize the same function, and that he had

previously taken the FAR section, again utilizing the same function, it was unclear to the Board how it could be candidate error. The candidate had put his answers to the two research questions in the survey comments at the end of the exam, but in reviewing his answers, the AICPA indicated that he had answered only one of those questions correctly, which did not result in a change to the candidate's score. Ms. Powell moved and Ms. O'Sullivan seconded to offer the candidate the option of retaking the entire section, or taking just the simulation section of the FAR exam, which would not be at the candidate's expense. Upon a vote, the motion carried.

Further discussion was held relative to notifying the Board of Examiners (BOE) about this issue and the responses to our inquiries. The Board instructed Ms. Somers to draft a letter to the BOE, to be reviewed by the Board members before dissemination, outlining the situation and the Board's concerns.

3. CPE/PERMITS TO PRACTICE/PEER REVIEW/FIRM REGISTRATIONS:

The Board reviewed a list of Peer Reviews due and "in process". Mr. Van Norden moved and Ms. Powell seconded that any firm or individual who did not comply with their Peer Review due date would be issued a Summary Order of Suspension of firm registration and/or permit (whichever is applicable), 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. The Board determined that the next "in process" due date will be October 12, 2007.

The Board reviewed the reasons for delay in receiving a Peer Review letter of completion from the firms who had been "in process" for six months or longer. In the case of Larry Douglas, the Board instructed Ms. Somers to write a letter to Mr. Douglas informing him that any extension given by the KSCPA Peer Review Report Acceptance Body did not entitle him to an extension by the Board and therefore, he is to comply with the follow-up requirements listed in the KSCPA's June 18, 2007 letter and that failure to do so could result in disciplinary action being taken by the Board.

The Board reviewed the list of persons or firms who had certain requirements to complete and submit to the Board as a result of disciplinary actions. It was noted that Charles Harrison had written a letter to the Board indicating that he was retiring and therefore not renewing his permit. Mr. Harrison had appeared before the Board on June 24, 2005 as a result of a Summary Order being issued for failure to comply with Peer Review. The result of that hearing was that the Summary Order issued for having failed to comply with Peer Review was vacated; however, a Final Order was issued requiring him to complete a minimum of 20 hours of accounting and auditing CPE as part of his

80 hour requirement for renewal July 1, 2007. Due to the fact that Mr. Harrison was not renewing his permit, and had not complied with the terms of the Final Order of the Board, Mr. Allen moved and Ms. O'Sullivan seconded to issue a Consent Order to Mr. Harrison, the terms of which are that as long as he consents to not practicing there will be no disciplinary action taken for his not complying with the Final Order, but if he applies for reinstatement, he will have to comply with the terms of the Final Order and appear before the Board and be subject to any other action that the Board deems necessary. He will not have to appear before the Board in order for the Board to accept the Consent Order. Upon a vote, the motion carried.

Ms. Somers reported that there were approximately 400 permit holders that had not yet renewed or notified the Board that they were not renewing. Mr. Van Norden moved and Ms. O'Sullivan seconded to instruct Ms. Somers to send out Cease and Desist Orders to those who had not renewed or notified the Board that they weren't renewing by August 1, 2007, or as soon thereafter as practicable, indicating that their permits to practice had expired and notifying them that if they renew their permit after August 31, 2007, in addition to being subject to a late fee, they may be subject to receiving a Summary Order which will require them to appear before the Board and pay a fine to be determined by the Board, in order to renew. Upon a vote, the motion carried.

The Board reviewed a letter from the AICPA concerning the implementation of the "opt out" transparency provision for Peer Review reports, wherein the State Boards would have access to a secure Web site that would post the Peer Review documents for those firms who opt in to the program. The Board noted that because of it's "in process" procedures with conditional firm registrations for firms, and that these types of letters will not be part of the documents posted to the web site, it will still be incumbent on the firms to submit their Peer Review documents to the Board.

The Board reviewed a list of permit renewals that had been returned as "incomplete". No action was required to be taken.

4. COMPLAINT/DISCIPLINARY MATTERS:

The Board reviewed a request from W. S. Pirotte for an extension of time by which to complete the AICPA Comprehensive Ethics exam, required in a Consent Order entered into with the Board. Ms. Powell moved and Mr. Smoll seconded to extend Mr. Pirotte's due date for successful completion and proof back to the Board to August 24, 2007. No further extensions would be granted. Upon a vote, the motion carried.

10:00 AM DOUGLAS DUTTON: Mr. Van Norden recused himself from this matter. Mr. Dutton appeared before the Board for approval of a Consent Order imposing a public censure, proof of completion to the Board of the AICPA

Comprehensive Ethics Exam with a score of 90% or higher by October 20, 2007, and a \$250 fine to be paid by August 20, 2007, for failure to timely pay payroll taxes collected on behalf of others. Mr. Dutton requested that a press release not be issued announcing the public censure. Mr. Smoll moved and Ms. O'Sullivan 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, Ms. Powell moved and Ms. O'Sullivan seconded to accept the Consent Order with one condition that Ms. Somers be instructed to publish the discipline only on the Board's website. Upon a vote, the motion carried, with Mr. Van Norden not voting.

5. OTHER:

Election of Officers: Mr. Smoll moved and Mr. Van Norden seconded to nominate Mr. Allen as Chair for the ensuing year. Upon a vote, the motion carried. Mr. Allen moved and Mr. Smoll seconded to nominate Mr. Van Norden as Vice-Chair for the ensuing year, provided he was reappointed by the Governor to serve another term. Upon a vote, the motion carried.

Ms. Smoll moved and Ms. O'Sullivan seconded for the Board to go into executive session for thirty minutes to discuss attorney/client privilege matters, and that when the Board reconvened, there would be no action taken, and the meeting would be adjourned. Upon a vote, the motion carried.

6. ADJOURN:

When the Board reconvened, Mr. Allen moved and Mr. Smoll seconded for the meeting to adjourn. Upon a vote, the motion carried.

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