

BOARD OF ACCOUNTANCY MEETING MINUTES
JULY 23, 2004
9:00 AM
LANDON STATE OFFICE BUILDING, ROOM 106
TOPEKA, KS

1. ADMINISTRATIVE MATTERS:

A. CALL TO ORDER:

Tim Mitchell, CPA, Chair, called the meeting to order. Board members in attendance were Mr. Mitchell; Paul Allen, CPA; Jeff Bottenberg, Public Member; Adley Johnson, CPA; Lois Loucks, Public Member; and Ginger Powell, CPA. Also in attendance was Bert Denny, CPA, the Board's investigator; Susan Somers, Executive Director of the Board; Mary Feighny, Assistant Attorney General, General Counsel to the Board; Derenda Mitchell, Assistant Attorney General, Disciplinary Counsel to the Board; and Joyce Schartz, Public Accountants Association.

B. 1-4. CONSENT CALENDAR:

The Board reviewed the minutes of the June 11, 2004 meeting; reciprocity certificates/permits to practice/practice by notification; registrations of new/reorganized practice units; and the financials for the fiscal year ending June 30, 2004. Mr. Johnson moved and Ms. Powell seconded to approve the consent calendar. Upon a vote, the motion carried.

2. CPA EXAM MATTERS:

A. & B. The Board reviewed the master candidate list and the passed list from the April/May exam testing window. Ms. Somers reported that of the 65 candidates that sat for the exam, 13 passed, none of which were first-time candidates. Mr. Johnson had previously reviewed the scores and approved them for release by CPA Examination Services on July 16, 2004. Ms. Powell moved and Ms. Loucks seconded to ratify the approval of the exam scores. Upon a vote, the motion carried.

Discussion was then held concerning the Board's past practice of indicating the top scorers of the exam. Since the exam is now given in a completely different format than the paper and pencil examination, the Board expressed that it would be hard, if not impossible, to determine who the top scorers were at a particular time. After discussion, the Board concluded that it would no longer be identifying the top scorers of the exam.

C. The Board reviewed a letter from an exam candidate, who was sharing her experiences with the examination application process; in particular the Board's elimination of the provisional status and providing a way to process applications for candidates who wanted to sit for the exam earlier than other candidates. Since the provisional status was eliminated from the accountancy laws, given the fact that a candidate may sit more times in a year for the exam than with the paper and pencil examination, and due to the fact that it was not feasible for CPA Examination Services to process applications for candidates based upon their intended dates to sit for the exam, the Board determined that although they appreciated her concerns and encouraged feedback from the candidates, they would not be able to implement her suggestions.

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

A. The Board reviewed a list of CPAs who have indicated that they are not renewing, or whose renewal applications had come back as undeliverable. No action was required by the Board.

B. The Board reviewed a list of CPAs whose permits were returned as "incomplete". Mr. Johnson moved and Mr. Bottenberg seconded to instruct Ms. Somers to send the CPAs who had attempted to renew, or who would attempt to renew, but whose renewals were returned as "incomplete", a Cease and Desist letter if they had not renewed their permits by July 31, 2004, informing them that if they are providing services to the public in Kansas, they must renew their permits on or before August 31, 2004, or be subject to appearing before the Board to renew. Upon a vote, the motion carried.

C. The Board reviewed a list of CPAs who had not yet renewed. Mr. Johnson moved and Ms. Powell seconded to instruct Ms. Somers to send them a Cease & Desist letter if they had not renewed or indicated that they weren't renewing by July 31, 2004. Upon a vote, the motion carried.

D. The Board reviewed a list of CPAs who Mr. Johnson or Mr. Bottenberg had granted a waiver to who had obtained self-study CPE from providers that did not meet the requirements in the Regulations. Ms. Somers indicated that she had sent a letter informing them that the Board would grant a waiver for this renewal only, but in the future all self-study hours must meet the requirements in the Regulations.

E. The Board reviewed a list of Peer Reviews either due or "in process". Ms. Somers reported that James Ireland had not provided a Peer Review letter of completion or another "in process" letter by July 15, 2004 as required. Mr. Johnson

moved and Mr. Bottenberg seconded to instruct Ms. Feighny to issue a Summary Order of suspension of his firm registration and permit and a \$250.00 fine, with the suspension being stayed until August 18, 2004, if he paid the fine and provided a Peer Review letter of completion or an "in process" letter. Upon a vote, the motion carried.

The Board reviewed a list of permit holders/firms who had complied with their Peer Review due dates, but needed extensions to provide the Peer Review letter of completion or another "in process" letter. Ms. Loucks moved and Mr. Johnson seconded to extend their dates to August 18, 2004. Upon a vote, the motion carried.

F. The Board reviewed the late permit renewal of Cathy Harkness. Ms. Harkness was to have renewed by June 30, 2003, but had requested an extension due to medical reasons. The Board granted her a one year extension to renew, if she provided proof of completion of the CPE hours claimed, obtained an additional 8 hours of CPE as a penalty, and paid the late fee by June 30, 2004. When she sent in her renewal, she had claimed college courses, but did not provide copies of the transcripts to substantiate the hours claimed. Ms. Somers had communicated to her that the Board required "proof" of the hours claimed, in this case, copies of the college transcripts; however, she did not agree with that and thought the Board should renew her permit without it. She was, however, willing to undergo an audit and would provide the transcripts if the Board wanted to audit her CPE. Mr. Johnson moved and Ms. Powell seconded to instruct Ms. Feighny to write a letter to Ms. Harkness requesting a copy of the transcripts to determine if she had met the requirements for renewal of her permit to practice. Upon a vote, the motion carried.

G. Ms. Somers reported to the Board that she and Mr. Denny had spoken with Jay Cooper, of Kirkpatrick Sprecker & Company, Wichita, about becoming the Board's Peer Review Oversight Member, replacing Mark West, CPA. Mr. Cooper has served for quite some time on the KSCPA's Peer Review Report Acceptance Body, and performs Peer Reviews, so his knowledge of the program gives him the expertise needed to perform this duty. Mr. Denny and Ms. Somers both reported that Mr. Cooper would be willing to serve in this capacity and Mr. Allen stated that he knew Mr. Cooper and had great confidence in his ability. Mr. Allen moved, and Ms. Powell seconded to approve Mr. Cooper as the Board's Peer Review Oversight member. Upon a vote, the motion carried.

4. OTHER

A. Ms. Powell gave a brief report on her attendance at NASBA's Regional Meeting held in La Jolla, California. She indicated that the main topics of conversation were the exam, ethics requirements for CPE purposes and Peer Review. Mr. Denny

was also in attendance at that meeting to lead discussions concerning the Center for Peer Review.

General discussion was held by the Board about the Public Company Accounting Oversight Board's (PCAOB) Peer Review/inspection program and how that could impact firm registrations in Kansas. Ms. Somers reported that she knew of at least 5 firms that were subject to PCAOB Registration in Kansas. Mr. Denny suggested that perhaps a question on the firm registration/renewal form inquiring if the firm was subject to registration with the PCAOB would be in order. Also questions inquiring as to whether or not the firm had received a final inspection report from the PCAOB and if the firm or employees of the firm had been subject to discipline by the PCAOB. The Board determined that Ms. Somers, Ms. Feighny and Mr. Denny could construct the questions accordingly.

B. Mr. Allen brought to the Board's attention an article that was published concerning the Orange County audit failure in California and how the California Board of Accountancy struggled to recoup the fees incurred in prosecuting KPMG. Mr. Allen reiterated the Board's position of a year ago of how important it would be for the Board to be able to recoup costs incurred in a large case. The agency's current budget couldn't cover the costs required for prosecuting a large case. Mr. Allen requested that the issue of recoupment of fees be added to the October agenda for possible legislation in the 2005 legislative session.

C. Mr. Mitchell opened up the floor for nominations for Chair and Vice Chair of the Board.

Mr. Johnson moved and Mr. Bottenberg seconded to nominate Mr. Allen as Chair for the ensuing year. Upon a vote, the motion carried.

Mr. Johnson moved and Mr. Bottenberg seconded to nominate Ms. Powell as Vice-Chair of the Board. Upon a vote, the motion carried.

5. DISCIPLINARY MATTERS:

A. The hearing of Robert L. Knight was continued to the Board's August 20, 2004 meeting.

B. EXECUTIVE SESSION ATTORNEY/CLIENT PRIVILEGE:

Ms. Powell moved and Mr. Bottenberg seconded, for the Board to go into Executive Session for consultation with the Board's attorney for 15 minutes. Upon a vote, the motion passed.

After 15 minutes, the Board reconvened its regular meeting, at which time Mr. Bottenberg moved and Ms. Loucks seconded that upon the issuance of the Final Order of the Judge in the Thomas DeBerry case, Mr. DeBerry be required to successfully complete the AICPA's Comprehensive Ethics Exam with a pass rate of 90% or higher, and pay the \$2,000 fine in full within 30 days of the date of the Final Order. Said fine may not be paid by credit card, or in installments. Upon a vote, the motion carried, with Mr. Allen abstaining from voting.

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