

KANSAS BOARD OF ACCOUNTANCY MEETING MINUTES
OCTOBER 29, 2004
9:00 AM
LANDON STATE OFFICE BUILDING, ROOM 108
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 was Susan Somers, Executive Director; Mary Feighny, Assistant Attorney General, General Counsel to the Board; Derenda Mitchell and Steve Phillips, Assistant Attorneys General, Disciplinary Counsel to the Board; and Joyce Schartz, Public Accountants Association.

B. 1-4 CONSENT CALENDAR:

The Board reviewed the minutes of the August 20, 2004 meeting; reciprocity certificates/permits to practice/practice by notification; registrations of new/reorganized practice units; first quarter financials; and the 2006 and 2007 budget. Mr. Smoll moved and Mr. Johnson seconded to approve the consent calendar. Upon a vote, the motion carried.

2. CPA EXAM MATTERS:

A. The Board reviewed the grades from the July/August testing window approved previously by Mr. Johnson. Upon a vote, the Board ratified Mr. Johnson's approval of the grades.

Ms. Somers reported that there were 113 candidates in the July/August window, of which 18 candidates successfully passed, seven of which were first-time candidates.

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

A. The Board reviewed a list of CPAs who had failed to renew or notify the Board that they weren't renewing. After discussion, the Board instructed Ms. Somers

to determine if any of the persons on the list were owners of a firm, and if so, to write a letter to the other owners of the firm informing them of the non-renewal of the listed owner, and further, that the firm is out of compliance with the Regulations which can jeopardize the firm's standing with the Board.

Mr. Smoll moved and Mr. Mitchell seconded that from the date of this meeting, any late permit renewals from persons who indicate that they are practicing in the State will be denied and they will be required to appear before the Board. Upon a vote, the motion carried.

B. The Board reviewed a list of 104 CPAs who had renewed their permits after the grace period of July 31, 2004. No action was required to be taken.

C. The Board reviewed the results of the CPE audit. Ms. Somers reported that there were 207 audits performed this year, out of 1568 renewals, which resulted in 15 renewals having their CPE hours adjusted. She reported that none of the adjustments resulted in a person falling below their required CPE hours for renewal.

D. The Board reviewed a list of Peer Reviews either due or in process. Ms. Somers reported that there were three firms that needed new due dates. Mr. Mitchell moved and Mr. Johnson seconded to extend their due dates to December 2, 2004 by which time they are to provide a letter of completion, or an in process letter. If an in process letter is submitted, it must bear a December, 2004 date. Upon a vote, the motion carried.

Ms. Somers reported that there were three firms whose Peer Reviews are due between this Board meeting and the Board's next meeting in December. Mr. Johnson moved and Mr. Smoll seconded that if those firms do not meet their due dates, they will be issued a Summary Order of Suspension of their firm registration and/or permit (whichever is applicable) and a fine of \$250.00, with the suspension being stayed until January 13, 2005 if the firm paid the fine and provided either a Peer Review letter of completion or an in process letter. Upon a vote, the motion carried.

E. The Board reviewed a report from Jay Cooper, the Board's Peer Review Oversight Liaison Member, of oversight he performed on a Report Acceptance Body meeting held by the Kansas Society of CPAs August 17, 2004. Mr. Johnson moved and Mr. Bottenberg seconded to accept the Report. Upon a vote, the motion carried.

4. COMPLAINT/DISCIPLINARY MATTERS:

A. JOANNE DESHAZO—This matter was continued until the Board's December meeting.

B. 10:00 AM BRIAN WYMAN

Mr. Wyman appeared, with counsel, to seek the Board's approval of a Consent Agreement recommended by the investigative Board member assigned to this matter. Mr. Wyman had improperly issued SAS 70 Audit reports, signing as a CPA on behalf of a firm that was not a CPA firm; had not reported to the Board that he was issuing audit reports, had not undergone Peer Review, and had not registered with the Board as a firm. The terms of the Consent Agreement are: Mr. Wyman is not to seek renewal of his permit before July 1, 2007; to complete the AICPA's Comprehensive Ethics exam with a passing score of 90% or above, before making application for renewal of his permit; to issue letters, as approved by the Board, to all the audit clients to which he signed the SAS 70 audits as a CPA explaining that he was not permitted to sign the audit reports in the manner in which they were signed, and give notice that he is withdrawing his signature as a CPA from the previously issued reports. Ms. Powell moved and Mr. Johnson seconded to ratify the Consent Agreement. Upon a vote, the motion carried, with Mr. Allen abstaining from voting. Mr. Wyman was cautioned that he could not hold out or sign as a CPA, or use the CPA designation without a permit to practice.

C. 10:30 AM MELVIN BIRD

Mr. Bird appeared to seek the Board's approval of a Consent Agreement recommended by the investigative Board member assigned to this matter. Mr. Bird had received an adverse Peer Review report, and pursuant to K.S.A. 1-312, the Board may limit the scope of a firm's practice upon a firm being issued an adverse Peer Review report and the Board determines that there was a failure to comply with standards. The terms of the Consent Agreement are that Mr. Bird will not provide audit services to the public unless he obtains the Board's approval in writing prior to commencing an engagement to perform such services, and any other prerequisites to performing such services as determined by the Board. Upon a vote, the motion carried with Ms. Powell abstaining from voting.

D. 11:00 THOMAS DEBERRY—This matter was continued to the Board's December meeting.

5. OTHER

A. The Board reviewed a proposed confidentiality agreement with the Public Company Accounting Oversight Board (PCAOB) to obtain non-public portions of the PCAOB's inspection reports conducted on CPA firms who are required to register with the PCAOB. This particular section of the inspection report is held confidential by federal law and must remain confidential and privileged for 12 months after the

issuance of such inspection report. If at the end of the 12 months the firm has corrected the matters found in the non-public portion of the inspection report, the information will remain confidential and privileged. Ms. Feighny reported to the Board that the Kansas Open Records Act allows information designated by Federal law to remain confidential and not subject to open records requests. If the Board does not sign the agreement, then the Board will not receive the non-public report. Ms. Somers reported that there are currently 8 Kansas firms subject to registration with the PCAOB. Mr. Smoll moved and Ms. Loucks seconded to instruct Ms. Somers to sign the agreement on behalf of the Board. Upon a vote, the motion carried.

B. Ms. Somers reported on the NASBA Annual Meeting held October 17-20 in Chicago. She indicated that there were two main topics discussed at the meeting. One being the encouragement of State Boards to sign the confidentiality agreement with the PCAOB, and the other being the cost of the exam. At the meeting, it was reported that the fees that Prometric charges are based upon a projection prepared by KPMG on a projected number of exam candidates in a year. The \$17.00 per hour seat-time currently being charged by Prometric was based upon a considerably higher candidate volume than has occurred. In the contract between Prometric and the AICPA, there is a true-up clause whereby the AICPA has to make up the difference in fees if the projected number of candidates are not met. In this case, the AICPA will most likely have to write a check to Prometric for \$4 million. The message given to the State Boards was that Prometric will in all likelihood be raising their fees in July of 2005, and that in January of 2006, the AICPA will be raising their fees for each section of the exam.

C. The Board reviewed the contract with CPA Examination Services that expires November 1, 2004 for administration of the CPA exam for Kansas candidates. The extension is for one year and there are no changes to the contract. Mr. Smoll moved and Mr. Mitchell seconded to authorize Ms. Somers to sign the extension. Upon a vote, the motion carried.

6. ADJOURN

Ms. Somers reminded the Board that it's next meeting is scheduled for Friday, December 10, 2004. Upon a motion of Mr. Smoll and seconded by Mr. Johnson, the meeting was adjourned.

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