

ARKANSAS STATE BOARD OF PUBLIC ACCOUNTANCY

Michael M. Watts CPA, JD President
Sherry Chesser CPA, Secretary
David Vaden CPA, Treasurer
Deana Infield CPA



Richard Bell CPA,JD
Denton Woods JD
Kevin Canfield

Jimmy Corley, CPA
Executive Director

Board Meeting Minutes January 11, 2019

A regular meeting of the Arkansas State Board of Public Accountancy was held in Suite 450 of the Main Street Mall Building on January 11, 2019 with Michael Watts, President, presiding. Other members of the Board in attendance were: Sherry Chesser, Kevin Canfield, Deana Infield, Richard Bell and Denton Woods. Board member David Vaden was not in attendance. Members of the staff in attendance were: Jimmy Corley, Executive Director, Dale Edge, Investigator; Tim Montgomery, Investigator; Mark Ohrenberger, Legal Counsel; Alan Fortney, Melissa Hamric, April Murphy and Tiffany Vano. Also in attendance were Tiffanie Harrison, Court Reporter,* Rebecca Kane, Hearing Officer **, Hanna Windley***, Brian Thompson of the ASA, and Felix Suen of INA.

CALL TO ORDER

Mr. Watts officially called the meeting to order at 9:00 a.m. A quorum was found to be present.

PUBLIC HEARINGS

The Board moved immediately to Public Hearings concerning the following cases:

H19-005 James R. German (Cert. #1285) – Respondent appeared before the Board for a hearing. The Board found: (1) that Respondent committed fraud, dishonesty, or deceit in obtaining or attempting to obtain a CPA certificate or practice privilege by reporting a CPE course on his 2017 CPE statement that he never took, and he then failed to correct his CPE statement; (2) that Respondent violated the Board’s rule against aggregating CPE courses on his 2017 CPE statement; and (c) that Respondent failed to provide adequate support documentation during the 2018 CPE audit for any of the forty hours of CPE Respondent claimed on his 2017 CPE statement. The Board fined Respondent \$1,500, ordered him to complete adequate make-up CPE by June 30, 2019, ordered Respondent to complete the 1-hour ASBPA Arkansas Ethics course within thirty days of the Board’s order, and ordered Respondent to submit documentation to the Board for the CPE he takes from 2019-2021.

*Susan Whitson,**Rebecca Kane, and ***Hanna Windley left at the close of the hearings.

APPROVAL OF MINUTES

A motion was made and seconded to approve the minutes of the November 16, 2018, Board meeting subject to the changes regarding attendance. The motion passed unanimously.

TREASURER'S REPORT

A motion was made and seconded to approve the October 2018 and November 2018 Treasurer's Reports, as presented. The motion passed unanimously.

CPA EXAM STATISTICS

Mr. Corley presented a report detailing the long-term statistics of the CPA Exam.

COMMITTEE REPORTS

COMPLIANCE

The Compliance Committee has met two (2) times.

Twenty-one new complaints:

- Inactive preparing taxes
- Licensee failure to disclose criminal background issues
- Licensee not making timely installment payments (penalty related)
- Licensee holding out to the public without Inactive disclaimer
- Individual licensee answered yes on 2019 renewal regarding "disciplinary issues by others"
- Two non-licensees holding out
- Two licensees with Quality Review failures.
- Two external complaints regarding holding records
- Three external complaints alleging discreditable acts by licensee
- Seven firms answered yes on 2019 renewal regarding "disciplinary issues by others"

Requesting closure of twenty-six (26) complaints; ten (10) by consent order

- 1) **C17-109 – (Cert. # 7118)** – Licensee failed to submit required documentation as part of CPE audit process, Rule 13.6(c) violation and failed to respond within thirty days to a Board communication sent via certified mail, Rule 409 violation. Hearing 18-002 was held September 28, 2018. Licensee was assessed a \$300.00 penalty. Requesting closure.
- 2) **C17-129 – (Cert. # 3373)** – External complaint, it was alleged licensee facilitated former spouse's attempt to commit fraud with regard to business finances. The Compliance Committee recommends a finding of no probable cause to proceed and closure with no further action.

- 3) **C18-048- (Cert. # 1529)** – Licensee failed to fulfill consent order, Rule 412(b) violation. Hearing 18-018 was held November 16, 2018. AR CPA certificate 1529 was revoked. Requesting closure.
- 4) **C18-053 - (Cert. #1741)** – Licensee failed 2018 CPE audit, was deficient 7 hours accounting and attest CPE. The Compliance Committee recommends a finding of probable cause to proceed and closure via the proposed compliance statement. Compliance Statement has been signed and \$210.00 penalty collected.
- 5) **C18-056 - (Cert. #7284R)** – Licensee failed 2018 CPE audit, was deficient 16 hours group study CPE. The Compliance Committee recommends a finding of probable cause to proceed and closure via the proposed compliance statement. Compliance Statement has been signed and \$250.00 penalty collected.
- 6) **C18-082 - (Cert. #3735)** – Licensee failed 2018 CPE audit, was deficient 8 hours of CPE. The Compliance Committee recommends a finding of probable cause to proceed and closure via the proposed compliance statement. Compliance Statement has been signed and \$240.00 penalty collected
- 7) **C18-087 - (Firm Cert. # 396C)** – External complaint alleging code of conduct violation (acts discreditable) against CPA for acting as debt collector for local water association. The Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure with no further action.
- 8) **C18-093 - (Cert. # 6366)** – External complaint alleging licensee was holding records. Lack of communication between client and CPA, complainant now has records. The Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure with no further action.
- 9) **C18-096 - (Firm Cert. # 82LP)** – Firm answered yes on 2019 renewal regarding other disciplinary issues. Out-of-state partner disciplined by SEC, partner is not an AR licensee. The Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure with no further action.
- 10) **C18-097- (Firm Cert. # 265LC)** – Firm answered yes on 2019 renewal regarding other disciplinary issues. Out-of-state partner was disciplined by another state for issuing report under and unregistered firm name. The partner is not an AR licensee. The Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure with no further action.
- 11) **C18-098 - (Firm Cert. # 798C)** – External complaint alleging code of conduct violation (acts discreditable) against CPA. CPA firm provided accounting services for concert promoter. Concert was cancelled, promoter told

concessionaire CPA was responsible for returning deposit payment. The Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure with no further action.

- 12) **C18-099 – (Firm Cert. # 109LP)** – Firm answered yes on 2019 renewal regarding other disciplinary issues. Out-of-state partner had DWI, partner is not an AR licensee. The Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure with no further action.
- 13) **C18-104 – (Firm Cert. # 831C)** – Firm answered yes on 2019 renewal regarding other disciplinary issues. Out-of-state partner had CPE issues addressed by AICPA and a state society, partner is not an AR licensee. The Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure with no further action.
- 14) **C18-105 – (Firm Cert. # 14LP)** – Firm answered yes on 2019 renewal regarding other disciplinary issues. The matter noted had been timely reported to the Board earlier in the year and was reviewed and closed at the April 2018 Board meeting. The Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure with no further action.
- 15) **C18-106 – (Cert. # 8952)** – Licensee answered yes on 2019 renewal regarding other disciplinary issues. Licensee has been charged with a Class A misdemeanor, matter is still pending. The Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure with no further action.
- 16) **C18-108 – (Firm Cert. # 49LP)** – Firm answered yes on 2019 renewal regarding other disciplinary issues. One-of-state partner entered in to a consent order with another state regarding issues with an audit, another out of state partner had a DWI, and neither partner is an AR licensee. The Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure with no further action.

A motion was made and seconded to accept the Compliance Committee’s recommended findings and proposed resolutions as to items 1 through 16, listed above. The motion passed unanimously.

CONSENT ORDERS

- 1) **C15-009- Consent Order (Firm Cert. # 49LP)** – Respondent entered into a Deferred Prosecution Agreement (DPA) with the United States Department of Justice concerning Respondent’s involvement in certain tax shelter products. A copy of the DPA is attached as Exhibit A and is incorporated by reference in the order. The Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed consent order. Respondent has signed a consent order and agreed to pay an eight

thousand (\$8,000.00) penalty. Requesting closure by Consent Order contingent on receipt of money.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C15-009. The motion passed unanimously.

- 2) **C17-119- Consent Order (Firm Cert. # 270LC)** – Respondent failed to timely respond to the 2017 Quality Review and failed to timely notify the Board of sanctions by another State Board. The Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed consent order. Respondent has signed a consent order and agreed to cease performing attest and compilation services until an acceptable peer review is completed and to pay a five hundred (\$500.00) penalty. Requesting closure by Consent Order contingent on receipt of money.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C17-119. The motion passed unanimously.

- 3) **C18-051- Consent Order (Cert. # 3466)** – Respondent stated on her 2018 renewal that she completed 3 hours of ethics in 2017 when in fact the ethics were completed in January 2018. In addition, respondent failed the ethics requirement for her 2018 renewal. The Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed consent order. Respondent has signed a consent order and agreed to pay a six hundred (\$600.00) penalty. Requesting closure by Consent Order.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C18-051. The motion passed unanimously.

- 4) **C18-055- Consent Order (Cert. # 9136)** – Respondent stated on her 2018 renewal that she completed an Accounting and Reporting course in 2017 when in fact the course was completed in January 2018. In addition, respondent failed to timely complete a minimum of forty (40) hours of CPE for her 2018 renewal. The Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed consent order. Respondent has signed a consent order and agreed to pay an eleven hundred (\$1,100.00) penalty. Requesting closure by Consent Order.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C18-055. The motion passed unanimously.

- 5) **C18-071- Consent Order (Cert. # 9079)** – Applicant surrendered her certificate as a CPA December 31, 2015. Applicant has requested to re-license to a license to practice. Applicant has completed 136.5 hours of CPE, 104.5

hours A&A, 5.5 hours of ethics, and 26.5 hours of Other. The study type consist of 130 hours of group and 6.5 hours self-study. Applicant has signed consent order and agreed to pay current year renewal fee of \$110.00 for a total of \$110.00. Requesting closure by Consent Order contingent upon receipt of money.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C18-071. The motion passed unanimously.

- 6) **C18-073- Consent Order (Cert. # 7213R)** – Applicant surrendered his certificate as a CPA December 31, 2011. Applicant has requested to re-license to a license to practice. Applicant has completed 137 hours of CPE, 59.5 hours A&A, 4 hours of ethics, 27 hours of tax, and 46.5 hours of Other. The study type consist of 78 hours of group and 59 hours self-study. Applicant has signed consent order and agreed to pay current year renewal fee of \$110.00 for a total of \$110.00. Requesting closure by Consent Order.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C18-073. The motion passed unanimously.

- 7) **C18-081- Consent Order (Cert. # 5462)** – Applicant's CPA certificate was revoked in October 1999. Applicant has requested to reinstate to a license to practice. Applicant has completed 141 hours of CPE, 33 hours A&A, 6 hours of ethics, 22 hours of tax, and 80 hours of Other. The study type consist of 120 hours of group and 21 hours self-study. Applicant has signed consent order and agreed to pay current year renewal fee of \$110.00 and \$110 for prior year fees (\$30, '96, \$40 '97, \$40 '98) for a total of \$220.00. Requesting closure by Consent Order contingent upon receipt of money.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C18-081. The motion passed unanimously.

- 8) **C18-083- Consent Order (Cert. # 8543)** – Respondent participated in the 2018 Quality Review. Respondent received a second fail classification for a review. Respondent is required by rule to go under pre-issuance review. In lieu of pre-issuance review, Respondent has agreed to discontinue performing review services. The Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed consent order. Respondent has signed a consent order and agreed to no longer perform review services. Requesting closure by Consent Order.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C18-083. The motion passed unanimously.

- 9) **C18-084- Consent Order (Firm Cert. # 493C)** – Respondent participated in the 2018 Quality Review. Respondent received a first time fail classification

for a review. Respondent is required by rule to complete 16 additional hours of A&A CPE in compilation and review. In lieu of completing 16 hours of CPE in comp and review, Respondent has agreed to discontinue performing review services. The Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed consent order. Respondent has signed a consent order and agreed to no longer perform review services. Requesting closure by Consent Order.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C18-084. The motion passed. Mr. Bell recused.

- 10) **C18-090- Consent Order (Cert. # 5038)** – Respondent participated in the 2018 Quality Review. Respondent received a first time fail classification for a review. Respondent is required by rule to complete 16 additional hours of A&A CPE in compilation and review. In lieu of completing 16 hours of CPE in comp and review, Respondent has agreed to discontinue performing review services. The Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed consent order. Respondent has signed a consent order and agreed to no longer perform review services. Requesting closure by Consent Order.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C18-090. The motion passed unanimously.

- 11) **C18-077- Consent Order (Cert. # 8840)** – Respondent stated on his 2018 renewal that he completed an Ethics course in 2017 when in fact the course was not completed. In addition, respondent failed to complete the Boards required 4 hours of Ethics CPA and failed to respond timely to a Board Certified Letter. The Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed consent order. Respondent has signed a consent order and agreed to pay a thirteen hundred seventy-five (\$1,375.00) penalty. Requesting closure by Consent Order.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution as to C18-077. The motion passed unanimously.

REQUESTING PERMISSION TO ISSUE THE FOLLOWING NOTICE OF HEARINGS IF NEEDED

- 1) **C18-059 – (Cert. # 6772)** – Charging Licensee with CPE reporting violations and failure to respond to a 30 day letter. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and issuance of a notice to the licensee for a formal hearing before the Board.
- 2) **C18-061 – (Cert. # 4161)** – Charging Licensee with CPE reporting violations and failure to respond to a 30 day letter. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and issuance of a notice to the licensee for a formal hearing before the Board.

- 3) C18-086 – (Cert. # 9303)** – Licensee has been convicted of felony. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and issuance of a notice to the licensee for a formal hearing before the Board.

A motion was made and seconded to grant permission to issue Notices of Hearing if needed in the matters 1 through 3, listed above. The motion passed unanimously.

NEW BUSINESS

2018 PROC Report

The Board reviewed a report prepared by Mr. Steve Davis regarding his observations of the AICPA Peer Review Program administered by the Arkansas Society of CPAs. A motion was made and seconded to approve the report. The motion passed.

Financial Interest Statements

Financial Interest Statements are due by January 31, 2019.

Expense Reimbursement Authorization

A motion was made and seconded to approve the Board members' expense reimbursement. The motion passed.

OTHER BUSINESS

Inactive Licensee Question

The Board determined (3 to 2) that an Inactive Licensee could serve on the Board of Directors for a public company.

LICENSURE ACTIVITY REPORT

Mr. Corley presented to the Board the Licensing Activity Report.

ADJOURNMENT

A motion was made and seconded to adjourn. The motion passed. The meeting adjourned at 1:00 p.m.