

ARKANSAS STATE BOARD OF PUBLIC ACCOUNTANCY

Jeremy Watson CPA, President  
Robert Redfern CPA, Secretary  
Michael M. Watts CPA, JD Treasurer  
Sherry Chesser CPA



David Vaden CPA  
Lloyd Franklin CFE  
Jim Gately EdM

Jimmy Corley, CPA  
Executive Director

## Board Meeting Minutes January 13, 2017

A regular meeting of the Arkansas State Board of Public Accountancy was held in Suite 450 of the Main Street Mall building on January 13, 2017 with Jeremy Watson, President, presiding. Other members of the Board in attendance were: Robert Redfern, Michael Watts, Lloyd Franklin\*, Sherry Chesser, Jim Gately, and David Vaden. Members of the staff in attendance were: Jimmy Corley, Executive Director; Dale Edge, Investigator; Tim Montgomery, Investigator; Mark Ohrenberger, Legal Counsel; Alan Fortney, April Murphy. Also in attendance were Brian Thompson of the ASA; Sharon Hill, CCR\*\*; and Jake H. Jones, Hearing Officer\*\*.

### CALL TO ORDER

Mr. Watson officially called the meeting to order at 9:06 a.m. A quorum was found to be present.

### Public Hearings

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

**H17-002** Terry Morrison – Respondent did not appear at hearing. Board found that Respondent failed to complete and return 2016 Quality Review Survey and failed to respond to a certified mailing from the Board. Respondent’s CPA certificate was revoked by Board order.

**H17-003** Casey Ball – Applicant appeared at hearing. Board found that the misdemeanor offense in question – possession of a fraudulent – altered I.D. – constitutes a “crime involving moral turpitude or dishonesty” but that the disqualifying provision of Ark. Code Ann. § 17-12-303(e) shall be waived as to Applicant and shall not prevent him from licensing as a CPA in the State of Arkansas.

**H17-004** Brian Laird – Applicant appeared at hearing. Board found that the disqualifying provision of Ark. Code Ann. § 17-12-303(e) shall be waived as to Applicant and shall not prevent him from licensing as a CPA in the State of Arkansas.

\* Mr. Franklin left the meeting at 12:00 p.m.

\*\*Sharon Hill, Court Reporter and Jake H. Jones, Hearing Officer left at the close of the hearings.

## APPROVAL OF MINUTES

A motion was made and seconded to approve the minutes, as amended, of the November 18, 2016 Board meeting. The motion passed unanimously.

## TREASURER'S REPORT

A motion was made and seconded to approve the November and December 2016 Treasurer's Report, as presented. The motion passed unanimously.

## COMMITTEE REPORTS

### AUDIT

Mr. Corley has received a draft of the Audit Report. Ms. Kemp will present the report at the April meeting.

### COMPLIANCE

The Compliance Committee has met twice.

#### **Twenty-three new complaints:**

- Licensee with unregistered firm.
- CPE audit failure.
- Two inactive licensees offering to perform accounting services for the public.
- Four applicants with criminal charges.
- Three CPA firms with disciplinary action by a regulatory body.
- Three CPA firms with partners that had administrative action taken by a regulatory body.
- Four licensees who failed to respond to the CPE audit.
- Five licensee reporting criminal complaints.

#### **Requesting closure of 34 complaints; Three by Consent Order**

- 1) **C15-018 – (Void Licensee)** – Void licensee holding out on website as CPA. Individual has removed CPA. Compliance Committee recommends a finding of probable cause to proceed but closure with no further action.
- 2) **C15-088 – (Cert. # 8323)** – Lapsed licensee with a felony conviction. Individual has surrendered his license in lieu of further Board action. Compliance Committee recommends a finding of probable cause to proceed but closure with no further action.
- 3) **C15-115 – (Cert. # 2674)** – Licensee failed to respond to 2015 CPE audit. Responses were lost in interoffice mail. Licensee has responded again with documentation. Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.

- 4) **C15-117 – (Cert. # 2364)** – Licensee failed to respond to the 2015 QR, failed to license a firm, and misstated his 2009 and 2012 QR year responses (said no reports, yet CLB show reports were issued). Individual has surrendered his license in lieu of further Board action. Compliance Committee recommends a finding of probable cause to proceed but closure with no further action.
- 5) **C16-022 – (Unregistered Firm)** – Licensee is not holding company out to the public and has removed CPA from company name. Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.
- 6) **C16-026 – (Unregistered Firm)** – Licensee is not holding company out to the public and has removed CPA from company name. Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.
- 7) **C16-034– (Cert. # 2239)** – Licensee failed to obtain 4 CPE hours in ethics during the thirty-six (36) months immediately preceding expiration of license. Hearing H16-058 was held November 18, 2016. Licensee was assessed a penalty of \$1,175.00, required to complete 4 CPE hours in ethics, and CPA certificate 2239 is suspended until penalty and additional ethics CPE are completed. Requesting closure.
- 8) **C16-101 – (Cert. # 8477)** – Licensee’s QR response was questioned as to correctness. After additional review, it was determined licensee’s QR response was correct. Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.
- 9) **C16-113– (Cert. # 4397)** – Licensee providing accounting services while on Retired status. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed compliance statement. Compliance Statement has been signed and \$1,000.00 penalty collected. Licensee is in process of upgrading to LTP.
- 10) **C16-120 - (Cert. # 8952)** – External complaint involving a billing dispute whereby Licensee failed to achieve client’s desired outcome in regard to resolving an IRS matter. After review of complaint and licensee’s response, the Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint with no further action.
- 11) **C16-121 – (Firm Cert. # 35LC)** - External complaint involving a billing dispute whereby Licensee failed to achieve client’s desired outcome in regard to filing client’s tax return. After review of complaint and licensee’s response, the Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint with no further action.
- 12) **C16-124 - (Cert. #8010)** – Licensee was required to respond to 2016 QR for both individual and firm licenses. Licensee responded timely to firm QR but failed to respond to timely regarding individual QR. Licensee has now responded to

individual QR. Committee recommends a finding of probable cause to proceed with disciplinary proceedings but recommends closure with no further action.

- 13) **C16-125 - (Cert. #2117)** – Licensee failed to timely respond to certified letter regarding individual 2016 QR. Licensee has now responded. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed compliance statement. Compliance Statement has been signed and \$500.00 penalty collected.
- 14) **C16-130 - (Cert. #3965)** – Licensee originally failed 2016 CPE audit. After further review of additional CPE documentation, licensee passed CPE audit. Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.
- 15) **C16-131 - (Cert. #6634)** – Licensee failed to timely acknowledge criminal conviction. During 2016 upgrade process, Board became aware of a 2002 criminal conviction (DUI). After further review, it was determined licensee should have notified Board of conviction on his 2008 renewal. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings but recommends closure with no further action.
- 16) **C16-132 - (Firm Cert. #265LC)** – Out of State Firm self-reported that it failed to acknowledge a partner being sanctioned by another state on prior year renewal. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings but recommends closure with no further action.
- 17) **C16-135 - (Cert. #3655)** – Inactive-licensee providing financial advisory and/or consulting services. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed compliance statement. Compliance Statement has been signed and \$500.00 penalty collected.
- 18) **C16-136 - (Cert. #9231)** – Licensee failed to respond to 2016 CPE Audit Compliance Statement. After further review, it was determined that certified notice was not given. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and closure via the proposed compliance statement. Compliance Statement has been signed and \$100.00 penalty collected.
- 19) **C16-138 - (Cert. #8507)** – Licensee failed to respond to certified 2016 CPE Audit Compliance Statement. After further review, it was established that certified letter was never received and, on appeal, CPE was found acceptable. Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.
- 20) **C16-142 - (Cert. #4423)** – Licensee failed to timely acknowledge criminal conviction. Licensee convicted September 7, 2016 for disorderly conduct. Notification received Nov. 29, 2016. Compliance Committee recommends a finding

of probable cause to proceed with disciplinary proceedings but recommends closure with no further action.

- 21) **C16-144 - (Cert. #878C)** – Licensee Firm sanctioned by another Board and failed to make timely notification. AL CPA Firm sanctioned by AL Board Sept. 20, 2016. Notified AR Board Dec. 20, 2016. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings but recommends closure with no further action.
- 22) **C16-145 - (Cert. #6616)** – Licensee has acknowledged a pending criminal action. Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.
- 23) **C16-146 - (Cert. #6LP)** – Licensee Firm has acknowledged having one or more partners who have been sanctioned by a regulatory authority. Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.
- 24) **C16-147 - (Cert. #68LP)** – Licensee Firm has acknowledged having a partner who has been sanctioned by a regulatory authority (IL). Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.
- 25) **C16-148 - (Cert. #5LP)** – Licensee Firm sanctioned by SEC. Firm has made timely notification. Sanction was related to the audit of a FL corporation. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings but recommends closure with no further action.
- 26) **C16-149 - (Cert. #82LP)** – Licensee Firm has acknowledged having a partner who has been sanctioned by a regulatory authority (SEC). Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.
- 27) **C16-150 - (Cert. #28LP)** – Licensee Firm sanctioned by CA Board. Firm has made timely notification. Sanction was related to 2014 SEC sanction. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings but recommends closure with no further action.
- 28) **C16-153 - (Cert. #9303)** – Licensee has acknowledged a pending criminal action on renewal. Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.

A motion was made and seconded to accept the Compliance Committee's recommended findings and proposed resolutions as to items 1 through 28, listed above. The motion passed unanimously.

**INDIVIDUAL CLOSURE NOT BY A CONSENT ORDER**

- 1) **C14-028 - (Non-Licensee)** – Non-licensee holding out as an accounting consultant firm. Originally, firm was listed in Yellow Pages under Accountants-Public, now listed under Accounting Services. Compliance Committee recommends a finding of no probable cause to proceed with disciplinary proceedings and closure of the complaint.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution and to close C14-028. The motion carried.

- 2) **C16-140 - (Applicant)** – Applicant for licensure failed to acknowledge a January 2014 criminal conviction on applicant's CPA exam application and CPA license application. Applicant pled no contest to domestic battery 3<sup>rd</sup> degree. Applicant was advised by attorney that plea would dismiss charges and should report as if it never occurred. Charge was dismissed Sept. 2014. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings but recommends closure with no further action.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution and to close C16-140. The motion passed unanimously.

- 3) **C16-141 - (Applicant)** – Applicant for reciprocal licensure failed to acknowledge a 1984 charge of possession of marijuana with intent to distribute. Applicant was advised by legal counsel at the time to answer "No" on any kind of application (e.g. employment). Charge was later dismissed. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings but recommends closure with no further action.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution and to close C16-141. The motion passed unanimously.

### CONSENT ORDERS

- 1) **C16-108 - Consent Order (Surr. Cert. - 7905)** – Applicant surrendered an inactive license December 31, 2015. Applicant is working in public accounting and is requesting re-licensure. Applicant has completed 151.5 hours of CPE, 29 hours A&A, 6 hours of ethics, and 116.5 hours of tax. The study type consist of 133.5 hours of group and 18 hours self-study. Applicant has signed consent order and has paid \$110.00 for a 2017 license to practice fee. Requesting closure by consent order.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution and to close C16-108. The motion passed unanimously.

- 2) **C16-117 - Consent Order (333C/Cert #3596R)** – Respondent firm participated in the 2016 Quality Review. Respondent Firm received a first time fail classification for an audit and a compilation w/o disclosures. Respondent is required to complete 16 additional hours of A&A CPE in attest and 16 hours additional hours of A&A CPE in compilation and review. In lieu of completing 16 hours of CPE in attest Respondent has agreed to discontinue performing audits. 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 audits and to complete 16 additional hours of CPE in compilation and review. These hours shall be in addition to the CPE hours required for renewal. Requesting closure by Consent Order.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution and to close C16-117. The motion passed unanimously.

- 3) **C16-122 - Consent Order (Revoked Cert #5040)** – Applicant was revoked in 2004. Applicant has requested to reinstate to inactive status. Applicant is not currently working in public accounting. An internet search found applicant holding out as an inactive CPA. 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 has paid current and prior year licensing fees totaling \$175.00 and an assessed penalty of \$500; total reinstatement cost is \$675.00.

A motion was made and seconded to accept the Compliance Committee's recommended finding and proposed resolution and to close C16-122. The motion passed unanimously.

**Requesting permission to issue six (6) Notices of Hearing, if needed.**

**C12-060 – (2219/395C)** – Licensee failed to respond timely to 2011 CPE Audit, Licensee and Licensee Firm failed to respond timely to 2012 Quality Review and Licensee Firm failed to report issuance of an Audit and a Review on its 2009 Quality Review. Compliance Committee recommends a finding of probable cause to proceed with disciplinary proceedings and issuance of a notice to the licensee and licensee firm for a formal hearing before the Board.

**C16-090 – (6834)** – Licensee failed to respond to 2016 CPE Audit Compliance Statement. After further review, CPE documentation was questioned as to its validity. 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.

**C16-115 – (5021)** – Licensee has disagreed with the “fail” classification received for the review report submitted for Quality Review and has requested a hearing before the Board. This is licensee's 2<sup>nd</sup> consecutive failed QR. During investigation, it appears that licensee has violated a prior Board Pre-issuance order. Licensee has also failed to respond to a certified 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 disciplinary hearing before the Board.

**C16-133 – (063)** – Licensee failed to respond to 2016 CPE Audit. 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.

**C16-134 – (3046)** – Licensee failed to respond to 2016 CPE Audit. 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.

**C17-001 – (Applicant)** – Applicant has submitted an application to the Board for a certificate and original license as a Certified Public Accountant in the State of Arkansas. During licensure process, the Compliance Committee became aware of Applicant's past conviction and determined Applicant's licensure application could not be approved unless applicant obtained a waiver from the Board pursuant to Ark. Code Ann. § 17-12-303(f). It is expected Applicant will be submitting to the Board a written request for a waiver pursuant to Ark. Code Ann. § 17-12-303(f).

A motion was made and seconded to grant permission to issue a Notice of Hearing if needed to the cases listed above. The motion carried.

## **OLD BUSINESS**

### University CPA exam review courses and the Accounting component

After discussion, the Board determined that currently under Board Rule 3.2(b), the Board would accept university CPA exam review courses towards the 30-hour Accounting Component.

## **BREAK**

A break was given to the Board members at 12:00 p.m. The Board meeting was brought back to order at 12:30pm.

## **NEW BUSINESS**

### Annual Authorization of payment of Board Member expenses and stipends

A motion was made and seconded to approve the Annual Authorization of payment of Board Member expenses and stipends. The motion passed unanimously.

### Medical Marijuana and Board policy

The board discussed the recently passed constitutional amendment concerning medical marijuana. Questions have arisen as to whether CPAs can serve clients in this industry without violating board rules and the Board's professional code of conduct, particularly because possession or use of marijuana is still against federal law. Upon the receiving advice from the board's attorney, the board decided it would wait until a CPA or other interested party requested a declaratory order from the Board before making a policy decision.

### CPA Exam credit extension request

A motion was made and seconded to extend an exam applicant's CPE Exam credit for one year, until May 30, 2018, due to extreme medical hardship. The motion passed unanimously.



CPE waiver request

A motion was made and seconded to grant a waiver of non-completed CPE for a licensee due to extreme medical hardship. The motion passed unanimously.

Peer Review Oversight Committee update

Mr. George Foster presented the Board with an update regarding the PROC. The committee will draft and comment letter to the proposal that is due by June 30.

Inactive status interpretation/guidance

After discussion, the Board believes that an inactive licensee being appointed as a “Court Appointed Receiver” would be a violation of Board Rules.

Upgrade request & upgrades policy discussion

A motion was made and seconded to approve an upgrade with partial CPE completed, with the remaining CPE due by September 30, 2017. The motion passed unanimously.

## **LICENSE APPLICATIONS**

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 2:04 p.m.