ACCOUNTANCY BOARD OF OHIO
MINUTES OF NOVEMBER 2, 2012 MEETING

The Accountancy Board met on November 2, 2012 in Rooms West B and C on the 31st floor of the Vern Riffe Center for Government and the Arts, 77 South High Street, Columbus, Ohio with the following members present: Margaret Houston, CPA (Chair), W. Michael Fritz, CPA (Vice Chair), Robert Fay (Secretary), Greta Russell, CPA (Immediate Past Chair), Mark LaPlace, CPA (Past Chair), Michael Comer, CPA (Member), James Carroll, CPA (Member), Adriana Sfalcin (Public Member) and James Gero, CPA (Member).

Representing the Board staff was Robert Joseph, CPA, Acting Executive Director. Board counsel present was John Patterson, Esq., representing the office of the Attorney General.

Present in the audience were Laura Hay, CPA, Chief Operating Officer of the Ohio Society of Certified Public Accountants (OSCPA), Barbara Benton, Vice President for Governmental Affairs of the OSCPA, and Joseph Skoda, representing the National Society of Accountants.

Ms. Houston called the meeting to order at 10:00 a.m., and welcomed the guests in the audience.

ELECTION OF BOARD OFFICERS

Mr. Carroll reported that the nominating committee, consisting of Mr. Gero and himself, selected by a vote of 2-0 the following slate of officers for the Board year 2012-2013:

- Chair-W. Michael Fritz
- Vice Chair-Robert Fay
- Secretary-Michael Comer

Mr. Carroll motioned that the slate of nominees be accepted. Mr. Gero seconded the motion, and the Board approved the motion 9-0.

APPROVAL OF THE SEPTEMBER 2012 BOARD MEETING MINUTES

Upon motion by Ms. Sfalcin, seconded by Ms. Russell, the Board voted to approve the minutes of the September 7, 2012 Board meeting with one correction. Motion carried 9-0.

RULES HEARING

Ms. Houston opened the hearing concerning proposed rules filed on September 25, 2012 with two revisions October 18, 2012. The rules were as follows:

- 4701-7-04: Practice of public accounting and regulated services (Revised)
- 4701-7-08: License qualification
- 4701-9-01: Integrity and objectivity
- 4701-9-05: Attestation standards (Revised)
- 4701-11-03: Contingent fees
- 4701-17-08: Education assistance surcharge

No persons were in the audience to comment on the proposed rules. Ms. Houston said that the hearing would be kept open until the Board adjourns to accommodate any persons arriving late.

INFORMATION REPORTS AND UPDATES

NASBA REPORT

Ms. Houston reported the NASBA Annual Meeting was held in Orlando October 28-31, 2012. She added that Mr. Fritz also attended the NASBA International Forum the following day.

The Board commented on the general sessions comprising the meeting agenda and noted that some sessions were very good and others only fair.

Mr. Fritz remarked that, with the addition of California, all 48 contiguous states in the USA, plus Alaska and the District of Columbia, now have mobility provisions facilitating the interstate movement of CPAs across state lines. He added by stating that most of the states are now moving toward adoption of the provisions Ohio and five other states have on firm mobility. Currently, many states still require a permit from firms performing incidental work in those states but the persons performing the work come from a firm office outside the state.

Mr. Fritz stated that NASBA has reorganized its committee structure and a new rule permits a person to serve on only one committee. Ms. Houston added that the issue of service on NASBA committees would be in item for discussion at the Board retreat.

The Board unanimously endorsed the candidacy of Theodore Long, Jr., a former two-time Board Chair, to the position of NASBA Vice Chair.

UAA PROJECT

Ms. Houston noted that the UAA comparison with the Ohio accountancy law would be an item on the Board retreat agenda in December.

CPA EXAMINATION SITE VISITS

Ms. Houston said that information was available to all Board members who wished to visit any of the computer-based CPA examination sites in Ohio.

BUDGET AND FINANCIAL REPORT

Mr. Joseph noted that the Board as of September 30, 2012 was on track to spend within its appropriation for fiscal year 2013 ending June 30, 2013. He noted that the budget request for fiscal years 2014 and 2015 had been filed and hearings on the budget would likely be held before the General Assembly in early 2013.

INVESTIGATIONS REPORT

Mr. Joseph noted that the final hearing concerning continuing education verification was scheduled for this meeting. He added that a hearing will be held in December regarding an SEC violation. He concluded by presenting the status report on past hearings and noted the cases involving Justine Everett (Badman) and Frederick Froehlich will be closed and will not appear on subsequent reports.

EDUCATION ASSISTANCE PROGRAM REPORT

Mr. Joseph reported a total of $172,145 in education assistance commitments so far for fiscal year 2013. A total of $176,238.13 was spent for education assistance to date in fiscal year 2013. He stated that Youngstown State University, the University of Cincinnati, and Ohio State University were the top three recipients of education assistance grants.

OLD BUSINESS

ANNUAL REPORT

Mr. Joseph noted that the fiscal year 2012 annual report had been posted on the Board website. He said that any Board members who had suggested corrections should inform the Board staff so they could be included in the report.

MASS E-MAILING

Mr. Joseph said the mass e-mailing was sent on October 25, 2012. Some licensees did not receive the email mailing due to where the email address is located in the E-licensing database.

AICPA EXPOSURE DRAFT

Mr. Gero noted that the AICPA has an exposure draft related to the preparation of financial statements, and commented on the proposed changes to the Statements on Standards for Accounting and Review Services. He stated the exposure draft proposes another level of engagement entitled "Association" that would not be subject to the peer review process. He motioned that the Board adopt a comment letter to the AICPA recommending a legend be placed at the footer of the financial statements to the effect that the statements were not audited, reviewed, or compiled. Mr. Carroll seconded the motion, and the Board approved the motion 9-0.

LATE FEE PROCEDURE

Mr. Joseph presented a letter from an individual who requested the Board consider a waiver or reduction of a late filing fee. The person did not pay the late fee. Mr. Joseph asked the Board if consideration should be given to these individuals. The Board unanimously agreed that the current policy of requiring payment of late fees should not be changed.

UPDATE ON EXECUTIVE DIRECTOR POSITION

Mr. Fritz said that he has met with Jeff Polesovsky, of the Governor's office, who has authorized the Accountancy Board the go ahead to proceed with the interviewing for the Executive Director's position. Mr. Rotaru has begun the process of his retirement for the end of December 2012.

NEW BUSINESS

HUMAN TRAFFICKING

Mr. Joseph presented a new statute in which the General Assembly strongly recommended that regulatory/licensing boards include continuing education in human trafficking if the licensees regulated by those boards encounter human trafficking victims in the regular course of their work. Upon recommendation by Mr. Patterson, the board agreed to review the provisions of the statute at the Board retreat in December.

BOARD WEBSITE

Mr. Joseph noted that the Board website appearance would change slightly in response to the state "ohio.gov" website changes, but that the content would not change. He said the changes were due to occur the week of November 5-9, 2012.

REQUEST FOR WAIVER OF LATE FILING FEES

DANIEL P. BACKUS

Mr. Backus requested a reduction of the $1,000 late fee applicable to the late renewal of his Ohio permit because he thought that renewal of his OSCPA membership satisfied his licensing requirements.

BERTRAND W. LUKEN

Mr. Luken requested a reduction of the $350 late fee applicable to the late renewal of his Ohio registration due to a family hardship.

REINSTATEMENT HEARING: JOHN J. QUATMAN

Ms. Houston opened a reinstatement hearing at 10:50 a.m. Present at the hearing was John J. Quatman, whose CPA certificate was revoked by the Board on May 9, 2009 pursuant to Ohio Revised Code sections 4701.16(A)(3) and 4701.16(A)(9) then in effect, pertaining to failure to obtain an Ohio permit as required by law and the unlawful practice of public accounting.

Mr. Patterson asked Mr. Quatman several questions. (1) Are you willing to proceed without an attorney? Mr. Quatman replied in the affirmative. (2) Why did you not attend the scheduled Board hearing on June 4, 2010? Mr. Quatman replied that he had no good excuse. (3) Did you hold out as a CPA after June 4, 2010, on which date the Board said your CPA certificate was revoked? Mr. Quatman replied in the affirmative; he said he prepared tax returns and exercised powers of attorney as a CPA. (4) Do you advertise as a CPA? Mr. Quatman replied that he had business cards on his desk with the CPA designation and that the cards were distributed. (5) Have you completed continuing education? Mr. Quatman replied

that he completed in excess of 120 continuing education credits.

Mr. Quatman stated that he needed the CPA designation in order to give his clients the professional services to which they have become accustomed.

Mr. Patterson asked if Mr. Joseph could be sworn in. Mr. Joseph took the oath. Mr. Patterson asked Mr. Joseph if Mr. Quatman had submitted continuing education credits, and Mr. Joseph replied that Mr. Quatman had submitted verification for more than 120 continuing education credits.

Mr. Quatman then described the continuing education he completed and his intention to take more continuing education courses.

The Board then asked questions of Mr. Quatman. He indicated that he held a Preparer Tax Identification Number (PTIN) issued by the Internal Revenue Service (IRS). There followed general discussion concerning the representations Mr. Quatman made to the IRS in obtaining the PTIN since non-CPAs cannot obtain a PTIN without passing an additional examination. Mr. Quatman concluded by stating that the IRS is holding his PTIN application because his CPA certificate is currently in "revoked" status. In conclusion, the Board asked some general questions concerning Mr. Quatman's practice.

Ms. Houston closed the hearing.

DISCIPLINARY HEARING: KEVIN J. FELLMAN

Ms. Houston opened a disciplinary hearing at 11:10 a.m. pursuant to Chapter 119 of the Revised Code. Kevin J. Fellman was charged with a violation of section 4701.16(A)(4) of the Ohio Revised Code, pertaining to failure to comply with the continuing education verification requirements, and section 4701.16(A)(1) of the Revised Code, pertaining to fraud or deceit in obtaining an Ohio permit. Mr. Fellman did not request a hearing in a timely manner but he was present at the hearing.

Mr. Patterson asked that Mr. Fellman and Mr. Joseph be sworn in. Both Mr. Fellman and Mr. Joseph took the oath. Mr. Patterson reviewed the documents in State's Exhibit A with Mr. Fellman. Mr. Patterson asked for the admittance of State's Exhibit A and Mr. Fellman did not object. Ms. Houston accepted the exhibit.

Mr. Fellman indicated that he did not comply with the continuing education verification requirement in a timely manner, but that some of the delay was due to his mail being removed from his residence. He added that he has not advertised as a CPA since the March 2012 deadline for compliance with the continuing education verification requirement and that he completed his continuing education credits.

Mr. Patterson asked Mr. Joseph if Mr. Fellman's continuing education could be checked, and Mr. Joseph replied in the affirmative.

The Board then asked questions of Mr. Fellman.

Ms. Houston concluded the hearing.

DISCIPLINARY HEARING: HARRY W. HUNTER, III

Ms. Houston opened a disciplinary hearing at 11:40 a.m. pursuant to Chapter 119 of the Revised Code. Harry W. Hunter, III, was charged with a violation of section 4701.16(A)(4) of the Ohio Revised Code pertaining to failure to respond to Board communications in a timely manner. Mr. Hunter did not request a hearing in a timely manner and he was not present at the hearing.

Mr. Patterson asked that Mr. Joseph be sworn in. Mr. Joseph took the oath. Mr. Patterson reviewed the documents in State's Exhibit A with Mr. Joseph. Mr. Joseph noted the time and the fact that Mr. Hunter was not present. Mr. Patterson asked for the admittance of State's Exhibit A and Ms. Houston accepted the exhibit.

Ms. Houston concluded the hearing.

EXECUTIVE SESSION

Upon motion by Mr. Carroll, seconded by Mr. Comer, the Board voted to recess into executive session pursuant to Ohio Revised Code section 121.22(G)(1) to discuss the requests for waiver of late fees and discipline of licensees with Mr. Patterson, as well as employment of a public employee, possible dismissal of a public employee, and hiring of a public employee. Motion carried 9-0 on a roll call vote. After discussion, the Board returned to general session.

BOARD DECISIONS

LATE FEE WAIVER APPEALS

Upon motion by Mr. Fay, seconded by Mr. Comer, the Board voted to deny the appeals of the following licensees for waiver of the late filing fee:

- Daniel P. Backus
- Bertrand W. Luken

Motion carried 9-0 on a roll call vote.

REINSTATEMENT HEARING: JOHN J. QUATMAN

Upon motion by Mr. Fay, seconded by Ms. Russell, the Board voted to take no action on the reinstatement request of John J. Quatman and stipulate that Mr. Quatman may not apply for reinstatement of his CPA certificate until after June 1, 2013. Motion carried 9-0 on a roll call vote.

DISCIPLINARY HEARING: KEVIN J. FELLMAN

Upon motion by Mr. Fay, seconded by Ms. Sfalcin, the Board voted to revoke the CPA certificate of Kevin J. Fellman, but stay the revocation subject to the completion of the following requirements by December 31, 2012:

- Payment of a fine of $580.
- Payment of applicable late fees and penalties for renewal of the Ohio permit.
- Completion of a Board-approved professional standards and responsibilities course.

The Board also stipulated that Mr. Fellman would need to report 120 continuing education credits for his next reporting period beginning November 2, 2012 and ending December 31, 2014. Motion carried 9-0 on a roll call vote.

DISCIPLINARY HEARING: HARRY W. HUNTER, III

Upon motion by Mr. Fay, seconded by Mr. Fritz, the Board voted to revoke the CPA certificate of Harry W. Hunter, III. Motion carried 8-0 on a roll call vote, with Mr. Gero abstaining.

Upon motion by Mr. Fay, seconded by Mr. Comer, the Board voted to adjourn. Motion carried 9-0.

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MARGARET A. HOUSTON, CHAIR

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ROBERT F. FAY, SECRETARY