

Connecticut State Board of Accountancy
December 16, 2003
Minutes

Chairman Reynolds called the meeting to order at 9:05 a.m. on the third floor conference room in the Office of the Secretary of the State, 30 Trinity St. Hartford CT.

Present:

Thomas F. Reynolds, CPA, Chairman
Richard P. Bond
James Ciarcia
Philip J. DeCaprio Jr., CPA
Leonard M. Romaniello, Jr., CPA
Michael Weinshel, CPA

David L. Guay, Executive Director
Andrée Hazel Nelson, Board Staff

Newton Buckner III, CPA, President, Connecticut Society of Certified Public Accountants
Alan Clavette, Clavette Jossalyn & Co., Newtown, CT.
Joseph A. Equale, CPA, President-Elect, Connecticut Society of Certified Public Accountants
Milo Peck, Fairfield University, Fairfield, CT.
Patricia Poli, Fairfield University, Fairfield, CT.
Arthur Renner, Executive Director, Connecticut Society of Certified Public Accountants
Andrew Rosman, University of Connecticut
Carl Smith, University of Hartford, W. Hartford, CT.
Judith Walo, Central Connecticut State University
Mark Zampino, Connecticut Society of Certified Public Accountants

Before the minutes were approved, Richard Bond brought to the fore that an attachment was omitted from the packet and was assured that it will be forthcoming.

A motion to approve the minutes of the November 12, 2003 Board meeting was made by Michael Weinshel and seconded by Leonard M. Romaniello Jr. All voted in favor.

The Chairman welcomed the two new additions to the Staff, viz. Attorney Eric Opin and Secretary 1 Andrée Hazel Nelson.

Chairman Reynolds discussed /reviewed an Unusual incident at the November CPA Exam where a particular individual taking the exam was found with a stack of note cards and a cell phone which were confiscated. He claimed that he had no prior knowledge that he was not allowed to bring in said items. Executive Director Guay explained that every effort is made to inform people taking the exam of prohibited items and more often than not any item not allowed is normally brought out before the exam is taken. A motion was made by Philip DeCaprio and seconded by Richard Bond to hold a hearing on the matter, all voted in favor.

Richard Bond suggested that the Enforcement Docket be changed to reflect the actual dates that each pending case was filed. The Executive Director brought board members up to date with the work done thus far with enforcement. Executive Director Guay suggested and it was agreed that a presentation be made to the Board in January with regards to the process before any cases or compliance hearings are scheduled.

Chairman Reynolds advised the Law Revision Commission had suspended their meetings until they heard from the State Board on various issues regarding the Accountancy laws. The consensus of the Board was that the work of the Law of Revision Commission had been accomplished and with the passage of State legislation, met the objectives that the Board was trying to accomplish. Although the job is not yet done there was no need for the Law of Revision Commission to address this topic. A response has been drafted to that effect that we would delay because the Board had not yet examined this fully and the draft will be emailed to Board members to be voted on in January.

Final Draft of Computer Exam Regulations was tabled for the next Board meeting in January.

Two Board members, Chairman Reynolds, Philip DeCaprio Jr. and Executive Director Guay, met with the CSCPA Peer Review Committee on November 20, 2003 – The theme was “Leveling the playing field for all CPAs” – The Society was looking for strong Peer Review programs and asked the Board how they follow up on cases and how their role could be strengthened. Philip DeCaprio was asked to give his feelings on the meeting and in particular what was accomplished. He reassured the Society that the Board has mechanisms in place for firms to be in compliance with the Statutes. He also emphasized to them that we did not have the resources to run field investigations but could only respond swiftly and properly to complaints. All in all, the entire meeting was productive as all concerns were addressed appropriately and satisfactorily.

Chairman Reynolds moved the meeting along to address the issues regarding the 150-hour requirement as a prerequisite to sitting for the CPA exam, and whether candidates should be allowed instead, to take the exam prior to completing 150 hours. Board members read through the Statute and regulation regarding this matter, and the pros and cons were discussed at length.

Executive Director Guay advised that the Board had been on record two/three years ago opposing a change to the 150 hours recommended by the Society. It is up for reconsideration again and the Board, the majority of whom are new, has to now re-examine the issue in light of the new arguments that have developed over the years.

Comparisons were made with regulations prevailing in the other neighboring States and how it impacted the recruiting and/or attracting employees from those States.

Newton Bukner III President of the Connecticut Society of CPAs addressed the Board and reiterated the difficulty firms are having attracting CPAs to Connecticut and supplied to all present, his research and view point on modifying the statutes to accommodate the change.

Ms. Judith Walo Chairperson of the Department of Accounting at Central Connecticut State University addressed the Board giving her perspective on why she thinks it would be beneficial for the students if the change were allowed to sit for the exam immediately after completing a baccalaureate degree. She was of the opinion that it would be to students' advantage with their education so current to sit for the exam and then they can work getting experience and taking courses to broaden their education and then get their license in two years' time.

Carl Smith, Associate Dean at the University of Hartford, former Chairman of the Accounting Department expressed his opinion. In summary, he expressed that whereas the exam has broaden the material that is tested it is still contained in the Undergraduate curriculum. The CPA exam, he said should determine whether the student has the knowledge and the two year experience requirement fulfilled after sitting the exam, for certification.

Andrew Rossman, Faculty Member at the University of Connecticut for 15 years and Director of the Masters in Accountancy Program provided a different perspective on the issue. He highlighted the various adjustments the University instituted in its curriculum in 1992 as a result of the passing of legislation, to accommodate the change from 120 to 150 hours. They spent time developing an integrated program that looked at five years of education and do not consider their students as prepared to sit the CPA exam after four years now that they are under the 150 hour rule. He did not think it prudent at this time to change the statutes back to 120 hours and specifically now that most of the other States are moving to the 150 hours. He felt the benefits would have to outweigh the cost to facilitate any change. The four-year program students who have begun working would have to be accommodated with a part-time program for which he has seen a high absenteeism rate in the past. The shift has recently been to design and offer an on-line program so that the student who is the new employee can continue their education. In post Enron/Andersen, in his opinion, the perception of the general public would be that the profession is lowering their education requirement.

Leonard M. Romaniello, Jr. expressed the view that based on interviews with interns it would appear they did not think of the 150 hours as an impediment to their careers. He saw it more from the perspective of the large firms where they needed to move employees across borders, and that seems to be the only problem he is hearing.

Chairman Reynolds requested that the aforementioned speakers submit their position statement papers based on exactly what was expressed so that the missing Board members recently appointed and other interested parties, would have access to that material. The papers would have to be submitted promptly in order to go out with the packets prior to the next scheduled meeting of January 6, 2004.

Chairman Reynolds advised members present that the Governor has named two new members to the Board viz. Mr. Richard Sturdevent who resides in Newtown. He is currently Chairman of the Savings Bank in Danbury, has owned his own business for many years in Danbury, served with Chairman Reynolds on the Governor's Small Business Advisory Counsel for approximately 7 years. He is actually filling the position left vacate by Mr. Quinn. Mr. Sturdevent is described as an astute businessman and is not a licensee but very interested in serving the Board and looking forward to it.

The second new appointee is Mr. Richard Gesseck who resides in Cheshire, and will be filling one of the two new positions. He is a partner at Ernst and Young and has been active as President in the State's Society and looking forward to joining the rest of the Board in January and thereafter.

All position papers will be forwarded to each Board member including the new appointees with adequate time to prepare for the next Board meeting scheduled for January 6, 2004.

Chairman Reynolds reported on a presentation he recently attended by Phoebe Brown special counsel to a Board Member of the PCAOB. They are planning on building a communication link and some kind of relationship with the individual State Boards of Accountancy. They are still feeling their way on how they are going to accomplish their job; they are hiring people and are looking for good accountants to send in their resume.

Concerning the issue of substantial equivalency, Chairman Reynolds advised that Bob Fox who is the NASBA Regional Director, has requested our State Board to host a meeting on January 12, 2004 in our 2nd Floor Conference Room from 10:00 to 4:00 on the topic – ' SUBSTANTIAL EQUIVALENCY' and a questionnaire was distributed to Board Members. The Chairman exhorted all members to attend as he feels it will be extremely beneficial to everyone's personal edification.

Richard Bond gave an update on the Ernst and Young meeting concerning enforcement of cases 2450 and 2451. On November 25, he met with William Hammers, Associate General Counsel, Michael V. Simone, Assistant General Counsel and Karen Jacobs. He found out how clever the fraud was and how they were unable to detect the fraud.

The Civil Suit is scheduled for late 2004, Ernst and Young is being sued for \$3 billion, the Stockholders Class Action Suit was settled. The criminal trial commenced February this year in which the government is trying certain employees. The AICPA is going to wait until the end of the Civil Trial, which could be three years from now. The two auditors have not renewed their license. This situation begs the question, what were the auditors doing during this period of time and whether they were adequately auditing that firm.

Copies of that report will be distributed to all Board Members. By consensus the Board will leave this inquiry on the table. Mr. Bond was thanked for his work and efforts in this matter.

Chairman Reynolds expressed his thanks to the Office of Secretary of the State and Deputy Secretary of the State, for filling the vacant staff positions. Executive Director Guay applauded this sentiment.

Executive Guay brought up matters concerning studies of on-going issues advising that the Board is on record for wanting an Ethics continuing education requirement. Licensing issues are being researched, along with substantial equivalency, which really falls in with the reciprocity issues and the 150 hours requirements. We are looking for what is currently out there, what is available, and then what we would like to do to modify our requirements. Executive Director Guay will check with NASBA to identify any material they may have in that regard.

Michael Weinshel proposed to move the commencement time, seconded by Philip DeCaprio and all voted in favor to begin at 8:30. This notice of the time change will be passed on to the new Board members.

Michael Weinshel advised that a copy of a newsletter will be distributed to each board member and the lead article will be concerning Peer Review reminding the Practitioner Community that they have a responsibility to report anything they see that is not right. He also brought up a regulatory issue involving office policy and management with regard to whether or not the rules for budgeting for not-for-profits are going to be consistent or developed unilaterally within various regulatory agencies and they're trying to work as best they can on behalf of not-for-profit community for consistency across the board.

There being no further matters for discussion; a motion to adjourn the meeting was made by James Ciarcia and seconded by Leonard M. Romaniello Jr. Meeting adjourned at 11:40 a.m.