

Connecticut State Board of Accountancy  
September 3, 2003  
Minutes

Chairman Reynolds called the meeting to order at 9:04 A.M. in the second 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  
Michael T. Kozik, Board Attorney  
Stephanie Sheff, Board Staff

Arthur Renner, Executive Director, Connecticut Society of Certified Public Accountants

A motion to approve the minutes as amended, of the August 5, 2003 Board meeting was made by Michael Weinshel and seconded by Philip J. DeCaprio, all voted in favor.

Chairman Reynolds directed the Board to the licensing docket.

Motion made by Philip DeCaprio and seconded by Leonard Romaniello to approve the initial certificate applications and the initial and reinstatement applications for registrations and licenses, all voted in favor. The certificates, registrations and licenses approved at the September 3, 2003 meeting are incorporated into these minutes by attachment.

Motion made by James Ciarcia seconded by Philip DeCaprio to approve initial and reinstatement applications for firm permits to practice, all voted in favor. The permits approved at the September 3, 2003 meeting are incorporated into these minutes by attachment.

Richard Bond raised concern with regard to criminal background checks of applicants for initial certification in the state of Connecticut. He feels it should be an essential part of our certification process, and expressed concern this may be a liability. Executive Director, David Guay informed Mr. Bond that due to lack of resources, a criminal background check has not been part of the certification process.

Board Attorney, Michael Kozik, explained that while statutes set forth certain qualifications for certificates, we may not have the authority as a Board to conduct an investigation for criminal background checks.

Executive Director, David Guay, explained the current process of verifying the qualifications for each initial applicant with regard to experience, exam, ethics and education.

Richard Bond informed the Board that he would bring to the next meeting an application, currently used by the American Bar Association to verify background checks of Attorneys.

Executive Director, David Guay updated the Board with regard to the 2003 filing of Continuing Education Reports. David Guay informed the Board that there are 230 outstanding reports to date.

Executive Director, David Guay informed the Board that a random audit of 20 Continuing Education Reports is going to be done as suggested by Leonard Romaniello at the September 3, 2003 meeting.

Board Attorney Michael Kozik presented the following cases on the enforcement docket of September 3, 2003.

Case #2381

Attorney Kozik requested dismissal without prejudice on humanitarian grounds. A motion to approve was made by Philip DeCaprio and seconded by James Ciarcia, all voted in favor.

Case #2392 (tabled from August 5, 2003)

Attorney Kozik requested settlement approval. A motion to approve was made by Michael Weinshel and seconded by Leonard Romaniello, all voted in favor.

Case #2393 / Case # 2423

Attorney Kozik requested these cases be tabled pending receipt of signed settlement agreements.

Case #2426

Attorney Kozik requested settlement approval. A motion to approve was made by Philip DeCaprio and seconded by Leonard Romaniello, all voted in favor.

Case #2443

Attorney Kozik requested this case be tabled pending informal resolution.

Case #2447

Attorney Kozik requested formal charges. A motion to approve was made by Philip DeCaprio, and seconded by Leonard Romaniello, all voted in favor.

Case # 2454

Attorney Kozik requested dismissal, no probable cause, no violation found. A motion to table was made by James Ciarcia and seconded by Michael Weinshel, votes were as follows: Richard Bond, yes, James Ciarcia, yes, Michael Weinshel, yes, Leonard Romaniello, no, Chairman Reynolds, no, Philip DeCaprio recused himself.

Under regulatory activity, Chairman Reynolds continued discussion with regard to the Board's position on reform, as well as the status of the Connecticut Law Revision Commission. Executive Director, David Guay, informed the Board there was nothing new to report. Chairman Reynolds noted that one of the items on the Law Revision Commission meeting of September 9, 2003 is a study of accountancy laws.

Executive Director, David Guay informed the Board that he would be attending the Law Revision Commission meeting of September 9, 2003, and would update Board members with details of the meeting via e-mail.

Chairman Reynolds opened discussion on the National Association of State Boards of Accountancy Focus Questions, while inquiring about the procedure in the past. David Guay explained that although the questionnaires have been handled in various ways, NASBA has suggested the questions be discussed and answered as a group. Upon Board discussion, Chairman Reynolds requested Executive Director, David Guay, to draft comments and e-mail to Board members.

Chairman Reynolds opened discussion on the first NASBA focus Question. *As required by the Sarbanes-Oxley Act of 2002, the Public Company Accounting Oversight Board (PCAOB) will be conducting annual firm inspections of all accounting firms with clients that report to the SEC (annually if the firm audits 100 or more public company clients, every three years for those with fewer public company clients). The AICPA's SEC Practice Section has announced that it will continue to require its members to have peer reviews covering privately-held companies and other areas of their practice. Will your board accept the PCAOB's firm review as sufficient to meet your state's peer review requirement or will an additional review be required to cover other client engagements of those firms? Please explain your answer.*

Philip DeCaprio expressed concern that the annual inspection of the PCAOB may not cover what Connecticut Statute does with regard to what Peer Reviews currently require, as well as ignoring non publicly owned companies as well as reviews and compilations and other attest function engagements.

Michael Weinshel agreed with Philip DeCaprio. Michael noted concern with regard to the AICPA SEC practice section. His concern is, as regulators, the Board may want to consider a requirement for the AICPA to disclose deficiencies and corrective action in Peer Review reports before the State Board approves their program as acceptable. Michael Weinshel feels the National Association of State Boards of Accountancy should be responsible in verifying with the American Institute of CPA's to ensure their program works. Michael raised the issue of whether the reports should be changed from the current standard review report, which focuses on practice, to a code of ethics, which would focus on the issue of ethics. Michael suggested the Board position be a revision in standards of the SEC section, with emphasis on the issue of independence.

Chairman Reynolds directed the Board to the next focus question. *What has your board found to be their best practices for working effectively with your state's legislators?*

Philip DeCaprio explained it is determined by which legislators control a piece of legislation that affects our statutes.

Richard Bond asked if any Board members in the past have lobbied a position. Executive Director, David Guay informed Mr. Bond that various members have lobbied in the past. Board members agreed the most effective method is based on their individual relationship leverage to legislators in regard to the specific issue.

Chairman Reynolds directed the Board to the next focus question. *Please summarize the steps your jurisdiction is taking to address the measures included in the Sarbanes-Oxley Act?*

Board members agreed that the response should be passage of Public Act 03-259, An Act Concerning White Collar Crime Enforcement, The Connecticut Uniform Securities Act and Corporate Fraud Accountability...

Chairman Reynolds directed the Board to the final focus question. *What is happening in your jurisdiction that is important for the other boards and NASBA to know about?*

Upon brief discussion, members agreed that issues of relevance would be passage of Public Act 03-259 and the possibility of Ethics Continuing Professional Education.

Executive Director, David Guay addressed the Board with regards to the Update of Ethics Continuing Education Project. David Guay informed the Board there is no current update as a result of limited staff.

Chairman Reynolds and Executive Director David Guay expressed thanks to Arthur Renner, Executive Director, of the Connecticut Society of Certified Public Accountants for the memorandum of July 17, 2003 regarding other jurisdictions' Professional Ethics Continuing Education Programs.

Executive Director, David Guay updated the Board on the Computer Based CPA Exam. A draft was provided to Board members with regards to regulations as drafted thus far. David Guay informed the Board that at its October meeting, the Board members would be provided a complete packet of drafted language for their review.

Board Member, Richard Bond and Chairman Reynolds gave an update of their visit to the Prometric Exam site in Norwalk. Issues mentioned were the security requirements, staffing, space and configuration of the facility.

Board discussion took place with regard to the nature of taking the exam, and changes that effect how candidates will cycle through the eighteen-month period, as opposed to

the current 6-month cycle. The issue of the possible change in passing candidate rate was raised and discussed.

Richard Bond raised a question with regards to an average number of times a candidate sits for the exam, prior to passing. David Guay stated on average it is between five and seven times.

Chairman Reynolds applauded NASBA on the exam facilities questionnaire while noting the benefit it provided in visiting the Norwalk site.

Under other business, Chairman Reynolds extended congratulations and well wishes to Board Attorney, Michael Kozik on his recent promotion and appointment as Manager of the Legislation Elections Administration Division. Attorney Kozik informed the Board he would remain active until the pending enforcement cases are closed.

Chairman Reynolds shared a card from Jane Quinn giving thanks to the Board for flowers and a plaque sent upon the death of her husband, former Board member, James E. Quinn.

Chairman Reynolds shared with the Board an article he received from the publication *Ethically Speaking*. The American Institute of CPA's has instituted a vote on a proposal of their bi-laws, which would allow The Ethics Commission to automatically sanction an AICPA member, without investigation on the basis of disciplinary action by a State Board.

James Ciarcia informed the Board that NASBA has granted the scholarship funds necessary to allow him to attend the conference in Maui, on behalf of the Connecticut Board.

Chairman Reynolds informed the Board that he would be attending the Connecticut Society of CPAs' Board of Governors meeting on September 11, 2003, and would report back to the Board. He praised the Society for extending the invitation to the State Board, as an effort to improve communication and work cohesively.

Chairman Reynolds updated the Board on a recent meeting he had with the Connecticut Society Peer Review Committee Coordinator, John Rolleri. He informed the Board that the basis of the meeting was to open the lines of communication between the Committee and the State Board with regard to Peer Review compliance issues and sanctions. The Committee has extended an invitation to the State Board to attend their next meeting.

Under public comment, Arthur Renner, Executive Director, the Connecticut Society of Certified Public Accountants addressed the Board with regard to efforts recently put forth by the Connecticut Society Board of Governor's. He informed the Board that the effort of the Society leadership is one that intends to foster a cohesive relationship and provide consistently open communication between the State Society and the State Board. He informed the Board of a similar practice adopted by the AICPA, whereby they have instituted liaisons in their effort to better communicate and work cohesively with the

State Society. While noting the recent changes of Board members, he reiterated the continued effort of the Connecticut Society at keeping the lines of communication open with the State Board.

Arthur Renner informed the Board of a conference in New York next week and encouraged the Board to attend if possible.

A motion to adjourn the meeting was made by Michael Weinschel, and Leonard Romaniello, all voted in favor. Meeting was adjourned at 10:58 a.m.