

Connecticut State Board of Accountancy  
November 12, 2003  
Minutes

Chairman Reynolds called the meeting to order at 9:10 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  
Stephanie Sheff, Board Staff

Newton Buckner, III, CPA, President, Connecticut Society of Certified Public Accountants  
Joseph A. Equale, CPA, President-Elect, Connecticut Society of Certified Public Accountants  
Arthur Renner, Executive Director, Connecticut Society of Certified Public Accountants

A motion to approve the minutes of the October 7, 2003 Board meeting was made by Michael Weinshel and seconded by Philip J. DeCaprio, all voted in favor.

Richard Bond raised a question concerning discussion to be held about an enforcement matter he has been asked to look into, whether it would be appropriate to have such discussion in executive session. After discussion consensus was reached to have the enforcement matter discussed in regular session.

A motion to go into executive session to discuss personnel issues was made by Richard Bond and seconded by Leonard Romaniello, all voted in favor, the Board went into executive session at 9:20 A.M. Motion was made by Richard Bond and seconded by Leonard Romaniello for David Guay, Executive Director of the Board to meet with the Board in executive session, all voted in favor.

Motion to end the executive session and move back into regular session was made by Philip DeCaprio and seconded by Leonard Romaniello, all voted in favor. The Board recommenced regular session at 9:55 A. M.

Motion was made by James Ciarcia and seconded by Leonard Romaniello to ask the Honorable Susan Bysiewicz, Secretary of the State and the Honorable Maria M. Greenslade, Deputy Secretary of the State to meet with the Board at the next regular Board meeting on December 2, 2003 or if possible for a special meeting to be scheduled sooner to discuss the staffing crisis and direct Executive Director Guay to prepare a

report on the current crisis and a historical narrative on staffing and support issues, all voted in favor. Chairman Reynolds agreed to send the invitation.

Motion made by Michael Weinshel and seconded by James Ciarcia 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 November 12, 2003 meeting are incorporated into these minutes by attachment.

Motion made by Leonard Romaniello and seconded by Philip DeCaprio to approve the initial and reinstatement applications for firm permits to practice, all voted in favor. The firm permits to practice approved at the November 12, 2003 meeting are incorporated into these minutes by attachment.

Chairman Reynolds turned the floor over to Richard Bond for a report on his meeting with Attorney's from Ernst and Young concerning enforcement cases 2450 and 2451. Mr. Bond provided an outline of his meeting and used the outline to review the meeting. Mr. Bond's outline is incorporated into these minutes by attachment. Executive Director Guay indicated the essence of the case is that the SEC disciplined these two individuals and that in and by itself is a violation of Section 20-281a(4) of the C.G.S. It is the understanding of the Executive Director that the individuals would be willing to surrender their CPA Certificates in a manner other than a formal settlement agreement, which would contain a Board order. Discussion was held as to whether it would be best to wait for the various other investigations and legal actions to conclude before proceeding. Chairman Reynolds volunteered to check with the Chair of the New York Board to ascertain the case status in New York. By consensus the Board will leave the case active on the docket while waiting for more information on the status of the other investigations and complaints. Board members expressed thanks to Mr. Bond for his work and efforts in this matter.

Chairman Reynolds opened discussion on a response to the Connecticut Law Revision Commission. Chairman Reynolds reminded the members that they had authorized Executive Director Guay at the October 7, 2003 meeting to prepare a draft response. Chairman Reynolds informed the Board that a draft is currently under consideration and revision. Confusion exists as to whom it was the commission was asking to respond. The September minutes of the Law Revision asked for a response from the Secretary of the State and the October minutes indicates they are awaiting a response from the Board of Accountancy. Chairman Reynolds stated that part of the reason for his meeting with the Deputy Secretary of the State before the Board meeting was to clarify who in fact was going to respond. Chairman Reynolds reported that the Deputy Secretary of the State felt it was appropriate for the Board to respond. Chairman Reynolds also reported that the Law Revision is waiting for another response besides ours and have decided to cancel their November and December meetings.

Chairman Reynolds reported that the Deputy Secretary of the State asked that the Board consider, because many of the Board members are new and that Public Act 03-259 has addressed many but not all of the issues raised in the initial correspondence with the Law

Revision Commission, whether would it might be premature to ask for a termination of the study if other problems in the accounting and corporate community still exist. The Deputy Secretary of the State provided the suggestion that we respond to the Law Revision Commission that the Board would like time; such as a year for an opportunity to further exam what issues have not been addressed by Public Act 03-259 and respond to the Commission when the review is complete.

Philip DeCaprio reminded the Board that they had basically agreed last month rather than a full look; it's an operational issue. How can this Board have the appropriate resources to function properly, and should it be under the Secretary of the State's office or should it be separate? If that is under the purview of Law Revision Commission, that smaller issue is still appropriate for review by the Law Revision Commission. But the greater issue of looking at the whole Accountancy Act has been diminished. Chairman Reynolds asked if that was one of the issues placed on their agenda? That is, the structure of the Board and where it sits relative to its position in state government. According to Philip DeCaprio, that position was communicated to the Law Revision staff. Both Executive Director Guay and Chairman Reynolds both indicated that they did not think the Commission had decided or limited their scope.

Chairman Reynolds asked should we in fact respond in saying that the professional issues have gone away with passage of the Sarbanes-Oxley Act and Public Act 03-259 but operational issues remain to be addressed. James Ciarcia recommended that the Board keep the issue open until after the December meeting, suggesting the item be tabled until the January 2004 meeting.

Chairman Reynolds asked if it was the consensus of the Board that the professional issues had been adequately addressed and at this point left only operational issues remain.

James Ciarcia commented that Sarbanes-Oxley generally took care of the publicly traded companies, the SEC registrants which is not the majority, what about the protections for non SEC registrants, does our current law have adequate protections built in for privately held entities? Executive Director Guay indicated the passage of Public Act 03-259, did not cascade down the restrictions placed on publicly traded entities to privately held entities. Michael Weinshel disagreed and contended that things were still evolving.

By consensus the Board agreed to wait to draft any response to the Law Revision Commission until after the meeting with the Secretary and Deputy Secretary of the State.

Executive Director Guay reported that the regulations for the computer based CPA exam are not completed, but progress is being made. Executive Director reported that the Deputy Secretary of the State had authorized the services of an attorney from the Commercial Recording Division to assist.

Under other business Philip DeCaprio raised the issue of firms outsourcing tax preparation, especially by large regional firms and the large national firms, desiring to put it on the table for discussion to ensure it does not violate Connecticut's Accountancy Act.

Specifically the transmission of confidential client information electronically out of the country. A back and forth discussion on client notification and disclosure was held by the members, including a discussion on whether the Board has the authority to regulate the outsourcing of services. No action taken.

James Ciarcia gave a report on his attendance at the National State Boards of Accountancy “NASBA” National meeting. The general overall theme of the meeting was ethics. Presentations included outgoing NASBA Chairman Michael Conaway urging uniformity between the states, such as CPE and Peer Review Standards. Other speakers included a member of the Public Company Accounting Oversight Board “PCAOB”. She spoke on the need for auditors to evaluate not only the conclusions of management, but also the underlying internal control systems. She also spoke of the need for the audit committee to seize the role of audit overseer. Other speakers included Diane Ruben of NASBA and Arlene Thomas of the American Institute of Certified Public Accountants. Both spoke about the last paper based CPA Exam and the upcoming first computer based exam. Mr. Ciarcia also reported on the election of NASBA Officers. New Chair, David Vaudt, stated he would be focusing on the CPA Exam, Uniform Accountancy Act implementation and cooperating with the PCAOB, the AICPA, and the State Boards. A speaker from the SEC detailed the factors contributing to the accounting profession problems, such as emphasis on short-term performance, excessive compensation issues, and changes in the legal landscape. The speaker also referenced an interesting survey of Chief Financial Officers. According to Mr. Ciarcia the issue of substantial equivalency dominated the regional breakout session. Mr. Ciarcia passed along the request of Robert Fox, CPA, NY, and NASBA Regional Director, who would like to attend one of Connecticut’s Board meetings to discuss substantial equivalency.

Chairman Reynolds provided several handouts to the Board members for their reading pleasure.

Michael Weinshel under old business noted that the Board is on record seeking to require a periodic ethics requirement and urged the Board to proceed expeditiously in implementing this requirement by July 2004. Mr. DeCaprio noted that the Board has had discussion about amending the continuing education year to a December reporting requirement and possibly including the ethics requirement into the continuing education requirement. Executive Director Guay reminded the Board that they had asked him to prepare, as soon as possible a white paper detailing such changes as highlighted by Mr. DeCaprio and Mr. Weinshel.

Michael Weinshel noted that he was recently at a Connecticut Society of Certified Public Accountants event where Charlie Frago of KPMG raised an issue of reciprocity. Mr. Weinshel urged the reciprocity provisions be corrected. Mr. Weinshel also reported that it is his understanding that the CSCPA would like to seek changes to the licensing requirements, such as the 150-hour requirement.

James Ciarcia asked for a moment to report that NASBA performs the licensing functions for several states, maybe another item to add to the Law Revision Commission discussion.

Under public comment, Arthur Renner, Executive Director, the Connecticut Society of Certified Public Accountants addressed the Board, reintroducing Newton Buckner, III, CPA, President, Connecticut Society of Certified Public Accountants and Joseph A. Equale, CPA, President-Elect, Connecticut Society of Certified Public Accountants.

Mr. Buckner reiterated that on the issues of continuing education and ethics the CSCPA stands ready to help the Board. Mr. Buckner also expressed concern about the difficulty firms are having in attracting CPAs to Connecticut, especially the education and testing requirement having portability. Mr. Buckner highlighted the problem of the 150-hour requirement as a prerequisite to sitting for the exam versus simply becoming one of the requirements for certification. Mr. Buckner asked for the Board's support and concurrence in proposing to allow the exam candidates to sit for the exam with a bachelor's degree and 120 semester hours, with completion of the 150-hours at any time during or after the exam. Chairman Reynolds questioned whether it would be watering down the requirement. Mr. Weinshel asked if the educational institutions had been informed or asked for their opinion. General discussion on the history of the educational requirement and the impact on the profession were held. Mr. DeCaprio asked if there were any other legislative proposals from the CSCPA. Mr. Renner replied that the Board could expect to receive a proposal from the Accountants coalition, which represents the big four CPA firms seeking the Board's support in eliminating all the barriers to reciprocity and in supporting the concept of substantial equivalency.

Based upon a comment from Mr. Renner a discussion was held on the probability that the Governor would be soon appointing members to the three vacancies on the Board.

Mr. Renner also noted that Chairman Reynolds, Philip DeCaprio and David Guay would be attending a CSCPA Peer Review Committee meeting.

A motion to adjourn the meeting was made by Leonard Romaniello and seconded by Philip DeCaprio, all voted in favor. Meeting was adjourned at 11:40 A.M.