

**THE VIRGINIA BOARD OF ACCOUNTANCY ANNUAL PLANNING MEETING**

- Date and location:** May 27, 2014 at 9960 Mayland Drive – 2<sup>nd</sup> Floor Conference Center/Board Room #4, Henrico, Virginia 23233.
- Board members present:** Andrea M. Kilmer, CPA, CFF, CGMA, Chair  
W. Barclay Bradshaw, CPA, Vice Chair  
Robert J. Cochran, Ph.D., CPA  
James M. “Jim” Holland, CPA  
Marc B. Moyers, CPA
- Board member present by teleconference:** Stephanie S. Saunders, CPA
- Members absent:** David A. Brat, Ph.D.
- Legal Counsel present:** Anna Birkenheier, Assistant Attorney General
- Staff present:** Wade A. Jewell, Executive Director  
Chantal K. Scifres, Deputy Director  
Mary T. Charity, Director of Operations  
Jean Grant, Enforcement Manager  
Patti Hambright, CPE/Peer Review Coordinator and Administrative Assistant  
Nicholas R. Tazza, Assistant Manager, Licensing and Examination
- Members of the public present:** Stephanie Peters, CAE, CEO, Virginia Society of Certified Public Accountants  
Emily Walker, Government Affairs Director, Virginia Society of Certified Public Accountants  
Amy Mawyer, Vice President, Strategy and Development, Virginia Society of Certified Public Accountants  
Darshae Dabney, Technical Services Specialist, Virginia Society of Certified Public Accountants  
Linda Newsom-McCurdy, Education Director, Virginia Society of Certified Public Accountants
- Present for a portion of the meeting:** Maurice Jones, Secretary of Commerce and Trade

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Chairman Kilmer called the meeting to order at 10:00 a.m. in Board Room #4 of the Perimeter Center. Ms. Hambright provided the emergency evacuation procedures.

**BOARD MEMBER PARTICIPATION**

After consulting with legal counsel, and upon a motion by Ms. Kilmer and duly seconded, the members

voted unanimously to allow Board member Stephanie Saunders to participate in the Virginia Board of Accountancy's Annual Planning Meeting by teleconference. Ms. Saunders called in from Nags Head, NC.

### **DETERMINATION OF QUORUM**

Ms. Kilmer determined there was a quorum present.

### **OPENING REMARKS**

Ms. Kilmer welcomed Maurice Jones, Secretary of Commerce and Trade, to the meeting and asked the public, members of the Board and staff to introduce themselves for Secretary Jones' benefit.

### **APPROVAL OF AGENDA**

Upon a motion by Mr. Bradshaw and duly seconded, the members voted unanimously to approve the May 27, 2014 agenda with amendments. The members voting "AYE" were Ms. Kilmer, Ms. Saunders, Mr. Moyers, Mr. Bradshaw, Dr. Cochran, and Mr. Holland.

### **APPROVAL OF CONSENT AGENDA AND MINUTES**

Upon a motion by Mr. Moyers and duly seconded, the members voted unanimously to approve the May 27, 2014 consent agenda and the April 30, 2014 Board meeting minutes as amended. The members voting "AYE" were Ms. Kilmer, Ms. Saunders, Mr. Moyers, Mr. Bradshaw, Dr. Cochran, and Mr. Holland.

### **PUBLIC COMMENT PERIOD**

Ms. Peters advised that although the VSCPA did not have a comment at this time, they might have comments to the Board later in the meeting.

### **TOPICS OF DISCUSSION**

As historically is the case for the annual planning meeting, the Board Chair, Ms. Kilmer, turned the remainder of the meeting over to the Board's Vice Chair, Mr. Bradshaw. Mr. Bradshaw shared that as the projected Board Chair for FY2015, he would like to focus his work with Board staff on some important, existing projects, to include the new licensure status for CPAs – "Active – CPE Exempt", the new, automated CPE tracking system, the need for a new database system, the filling of vacant positions, legislative changes needed during the 2015 General Assembly session, and other important items that come to the Board's attention during the fiscal year.

### **BOARD POLICIES**

Mr. Bradshaw led the discussion regarding the review of existing Board policies. Regarding Board Policy #1 - Trust Account – Mr. Jewell recommended no changes. The Board agreed.

Regarding Board Policy #2 - Sponsors Providing CPE - Mr. Jewell explained the annual requirement of the Virginia-specific Ethics Course that complies with Board Regulation 18VAC5-22-90 and Board Policy #4 (CPE Guidelines) for all licensees providing services to the public or to an employer. Mr. Jewell clarified the Board's approval of the Virginia Society of CPAs (VSCPA) as the sole provider of

the Virginia-specific Ethics Course content/material. Mr. Jewell suggested that any provider of the Virginia-specific Ethics Course must be pre-approved by the Virginia Board of Accountancy. Provider requirements would include holding a Virginia CPA license. Potential providers will complete a simple form certifying the ethics material to be taught will be purchased from the VSCPA. The VBOA staff would approve providers and will work closely with the VSCPA to ensure providers obtain the ethics material. Once purchased, the VSCPA would notify the VBOA. The form would indicate the instructor's name, which would be available on the VBOA website (firm and instructor name). The application form for providing the Virginia-specific Ethics Course would be created by the VBOA staff and approved by the Board before implementing the application process for the 2015 Virginia-specific Ethics Course. Ms. Saunders noted it should be necessary for providers to be pre-approved annually. After discussion, Mr. Jewell agreed to update the proposed policy and present it at the June 24 Board meeting for approval.

Regarding Board Policy #3 – Substantially Equivalent Jurisdictions – Mr. Jewell recommended no changes. The Board agreed.

Regarding Board Policy #4 – CPE Guidelines – As was discussed in regards to Board Policy #2 – Sponsors Providing CPE, Mr. Jewell agreed to update the proposed policy and present it at the June 24 Board meeting for approval.

Regarding Board Policy #5 – Publication of Board Disciplinary Action - Mr. Jewell suggested an additional sentence be added to the Policy Statement to explicitly cover exam applicants and unlicensed individuals, as follows: “The Board also publishes information of exam applicants and unlicensed individuals against whom the Board has taken a disciplinary action.” It was suggested that “and firms” be added after “individuals”.

Upon a motion by Ms. Kilmer and duly seconded, the members voted unanimously to approve the updated Board Policy #5 as presented and amended. The members voting “**AYE**” were Ms. Kilmer, Ms. Saunders, Mr. Moyers, Mr. Bradshaw, Dr. Cochran, and Mr. Holland.

Regarding Board Policy #6 – CPA and International Qualification Examinations – Mr. Jewell recommended no changes. The Board agreed.

Regarding Board Policy #7 – Peer Review Oversight Committee – Mr. Jewell recommended adding to the Policy Statement the following sentence: “PROC members shall be in good standing (shall not have been sanctioned by any governing body) with all respective Boards of Accountancy.” Mr. Moyers felt the statement might be too broad when including “governing body.” Mr. Holland explained “good standing” could be questioned. Ms. Walker agreed that the potential PROC member could be in the process of disciplinary procedures and it not be noted until the case is closed. Ms. Kilmer noted pending sanctions could be covered on the form. Mr. Jewell explained that in the past the PROC committee member selection process did not include the disclosure of sanctions in writing. Mr. Bradshaw suggested removing “shall not have been sanctioned by any governing body.”

Additional questions were raised regarding the term “out of pocket” expenses. Upon further discussion, followed by a motion by Ms. Kilmer and duly seconded, the members voted unanimously to accept the following revision: “PROC members shall be in good standing with all governing bodies including Boards of Accountancy. The PROC member will be reimbursed for travel expenses in accordance with state travel guidelines.” The members voting “**AYE**” were Ms. Kilmer, Ms. Saunders, Mr. Moyers, Mr. Bradshaw, Dr. Cochran, and Mr. Holland.

Mr. Jewell led the discussion regarding a proposed, new policy, Board Policy #8 – Ethics Committee. Mr. Jewell noted the intent of Board Policy #8 is to state the purpose of the Ethics Committee, as well as committee makeup and expectations. Mr. Jewell had also asked for comments from the VSCPA. Ms. Kilmer inquired as to whether the Board should mandate membership with the VSCPA or the AICPA if serving on the Ethics Committee. Ms. Walker noted that this particular requirement might be a conflict of interest. Mr. Moyers suggested the Ethics Committee members should not be limited to members of the VSCPA. Mr. Jewell suggested the Ethics Committee members should be a member of some type of professional organization that at least looks at the Ethics issues facing the profession.

Note: At this time, Secretary Jones asked to speak as he had another commitment that he had to meet. He formally thanked the Board for its service and emphasized the work they were doing was critically important. He indicated creating jobs was his main focus and for the Board to keep doing exactly what they are doing. Ms. Kilmer explained the Board's purpose is to protect the public, and while protecting the public makes it easier for licensed CPAs, getting unlicensed individuals off the street and maintaining confidence in the profession is also very important. Mr. Jewell noted Virginia is the seventh largest state in the country for CPAs and the number of CPAs in Virginia continues to increase annually by 1-2%. Mr. Jones once again thanked the Board for their service and departed the meeting.

Discussion ensued regarding Board Policy #8. Mr. Holland initiated and Ms. Saunders led a short discussion related to when the Ethics Committee would need to meet annually in order to have the ethics outline available for the following year. Ms. Saunders indicated the committee tries to meet towards the end of August and could have the outline ready by the end of September. Mr. Jewell noted that lately the committee had been meeting at the end of September; however, if the outline could be presented to the Board at the October meeting there should be time for the VSCPA to develop the course. After discussion regarding Board Policy #8 – Ethics Committee, the Board asked Mr. Jewell to return with an updated policy at the June 24 Board meeting for consideration and approval.

## **2015 LEGISLATIVE AGENDA**

### **Update on AICPA Compilation/Preparation Exposure Drafts**

Mr. Bradshaw led the discussion regarding an update on the AICPA compilation/preparation exposure drafts. Mr. Bradshaw independently, working with Stephen D. Holton, CPA and former Board member/Chair, sent a letter to the AICPA expressing their concerns with the exposure draft recommendations. Early indications are that the AICPA has decided to move forward with recommendations in the exposure draft, although as of this date nothing formal has been issued. Mr. Bradshaw indicated that he and Mr. Holton would take the lead in identifying legislative changes that may be necessary to the Board's statutes to incorporate changes made by the proposed new standard. Ms. Kilmer asked the members if this could be an opportunity to make an evergreen change to the statutes. Mr. Bradshaw advised currently it is very clear what you must have a license for: audits, reviews, attestations, and compilations. Ms. Kilmer explained the Board does not want to put bookkeepers out of business. Mr. Moyers noted the Board is here to protect the public.

### **Firm Mobility**

Mr. Bradshaw led the discussion regarding firm mobility, including that the UAA requires all firms to have a license if they have an office in that state. The Virginia Board of Accountancy requires a firm to have a license with the state of Virginia if Virginia is their principal place of business. Ms. Walker noted the Board's statutes follows the spirit of the UAA, but not the exact language, and advised the Board that the UAA is much more rule based. Mr. Bradshaw's discussion indicated the Board would support each

firm following the licensing requirements of their state; however, some changes appear to be necessary to ensure any potential loopholes for out of state firms are closed. Mr. Jewell will draft a proposed change to the firm licensing requirements to ensure that outside firms at a minimum have the same requirements that firms working in Virginia must meet. Specifically, out of state firms shall comply with the firm licensing requirements of their home jurisdiction, including firm ownership and peer review.

### **Formal Fact Finding vs. Informal Fact Finding Administrative Fee Issue**

Mr. Jewell led the discussion regarding Formal Fact Finding vs. Informal Fact Finding. The Virginia Board does not hold Formal Fact Findings. Board orders and consent orders are offered to licensees when disciplinary action is necessary. The consent order may include an administrative fee along with other fees relating to the disciplinary action. Board orders cannot include administrative fees as per our statutes. Mr. Jewell recommended using the monetary penalty fee with consent orders and doing away with the administrative fee. The Virginia Board is 100% funded and these costs are included. He noted the consent order to be different from board orders. When the licensee signs a consent order he is agreeing to the administrative fee. Ms. Kilmer explained the necessity for the administrative fee when holding Informal Fact Finding conferences to aid in offsetting the hearing and investigative fees incurred. She also noted the conversion of administrative fee to sanction might be viewed differently. Legal counsel indicated that any change to allow for Informal Fact Finding Administrative Fees for Board Orders would affect all regulatory boards with this capability. Mr. Jewell will provide additional information, and the Board will review at a later date. In conclusion, there will be no recommended statute change to address this issue at this time.

### **Confidential Consent Agreements**

Mr. Bradshaw led the discussion regarding confidential consent agreements. Mr. Bradshaw's discussion explained confidential consent agreements, as understood by our legal counsel, are subject to FOIA and are not confidential. An actual confidential consent agreement does not exist. Mr. Bradshaw supported that shielding certain minor violations from FOIA would be beneficial to CPAs. Ms. Kilmer noted that even if charges were ruled as no violation, the documents were still available for FOIA. Ms. Birkenheier indicated that any document received by or in the possession of the Virginia Board of Accountancy would be subject to FOIA. Mr. Moyers noted that confidential consent agreements are not published on the Virginia Board of Accountancy's website unlike licensees who receive violations. It was suggested that the policy for document destruction might be of assistance. Ms. Birkenheier advised that destruction of documents to avoid release of information would not be legal. Ms. Kilmer noted that currently case files are retained for seven years. Mr. Jewell clarified that the final consent or board order, along with the investigative report, is retained indefinitely. All other documents are destroyed. Mr. Jewell and Ms. Birkenheier will work together for further clarity regarding the VBOA's record retention policies. In conclusion, there will be no recommended statute change to address this issue at this time.

### **Background Checks for Licensees**

Ms. Kilmer led the discussion regarding background checks for licensees. She suggested background checks be incorporated into the Board's new system. Mr. Jewell noted background checks are a part of the Department of Corrections system and Ms. Birkenheier noted the State Bar also performs background checks. Mr. Bradshaw included the Texas State Board requires fingerprints for their licensees and Mr. Holland recognized Chesterfield County as requiring background checks. Mr. Moyers noted a lot of this is public information and we should be accessing it. The topic will remain on the Board's carryover list for discussion. Mr. Jewell will work with legal counsel for possible suggestions for the statutes.

## **RECESS FOR BOARD LUNCH**

## **RECONVENE**

## **VSCPA HONORS NEW LICENSEES**

Ms. Kilmer recognized Dr. Cochran for attending the May 15, 2014 annual Virginia Society of Certified Public Accountants recognition of new licensees.

## **2015 LEGISLATIVE AGENDA, continued**

### **Scholarship Fund**

Ms. Kilmer led the discussion on developing a scholarship fund. Several states have implemented a scholarship fund aiding examination candidates in obtaining the additional 30 semester hours necessary for licensure. CPAs are asked for donations during their licensure renewal. Ms. Kilmer noted when developing our new system the Board may want to consider implementing the ability to make a donation. Ms. Birkenheier indicated the Virginia Board would need a statutory change in order to receive donations. The criteria for the scholarships would need to be determined. Mr. Holland was in favor of supporting a scholarship fund and suggested the VSCPA work with VBOA on promoting the VSCPA Education Fund. Ms. Peters offered to place an article in the VBOA E-newsletter regarding their Education Fund. Dr. Cochran agreed that working with the VSCPA would be most beneficial. Ms. Birkenheier opined there were many restrictions on donations by state government. In conclusion, there will be no recommended statute change to address this issue at this time.

### **Unlicensed Tax Preparers**

Mr. Bradshaw led the discussion on unlicensed tax preparers. The IRS has tried to regulate unlicensed tax preparers. Ms. Saunders updated the Board with information that the IRS is currently not looking into appealing recent court decisions relative to regulating paid tax preparers. Ms. Saunders believes the Board does not need to get involved. Ms. Walker indicated the IRS is seeking comments on voluntary registration of paid tax preparers and believes no Board of Accountancy is currently regulating tax preparers. Mr. Bradshaw agreed that the Board need not get involved. Mr. Holland believes CPAs should be exempt from registering with the IRS as tax preparers. Mr. Moyers has concerns as to when disciplinary issues arise and the expediency of the process. In conclusion, there will be no recommended statute change to address this issue at this time.

### **Other**

Mr. Bradshaw questioned the status of a legislative request made two years ago regarding Summary Suspensions. Ms. Kilmer notes the notification timeframe for an informal fact finding hearing can be as little as ten days, and in special circumstances necessary to protect the public, the process can be moved along even quicker. Ms. Kilmer also notes that if criminal charges are found the VBOA reports the charges to the Commonwealth Attorney immediately and the CPA can be apprehended by law enforcement. Ms. Walker mentioned that the VSCPA had some concerns with the language that was previously proposed. Mr. Jewell stated that he believed the Board had the authority to move quickly in cases that may require prompt attention. In conclusion, there will be no recommended statute change to address this issue at this time.



### **RENEWAL DATE FOR ALL LICENSEES**

Mr. Bradshaw led the discussion regarding having the same renewal date for all licensees. Licensees renewing during tax season were of special concern. Mr. Bradshaw recommended June 30 as a renewal date for all licensees. Mr. Jewell explained that if the change were to be made, he strongly suggested that we wait until a new system has been implemented. Mr. Jewell agreed June 30 would be a good date and recommended the decision be made for the change prior to the new system going live. Ms. Charity, Director of Operations, suggested that for now we could leave the renewal dates as is; however, look into expanding the renewal timeframe from 40 days to 120 days prior to expiration. A larger window of time may work for licensee renewal. Mr. Jewell recommended 90 days prior to the expiration of the license due to CPE compliance. Ms. Charity agreed. Mr. Jewell will bring this issue back to the Board in June with additional information.

### **PROC – POLICY ON REPORTING PEER REVIEW RESULTS TO THE ENFORCEMENT COMMITTEE**

Mr. Moyers led the discussion regarding the PROC (Peer Review Oversight Committee) – Policy on reporting Peer Review results to the Enforcement Committee. Mr. Moyers referenced the PROC meeting on October 18, 2013 and the discussion of establishing a “trigger point” for reporting firms with failed peer reviews to the Enforcement Committee. His belief is that after a firm has two consecutive failed or pass with deficiency reports, the enforcement process should start with that firm. Ms. Walker explained that after a second failed report the VSCPA will put that firm on notice. A third failed report and action is taken. Mr. Jewell asked Ms. Dabney if statistics were available, and Ms. Dabney replied there had been nine firms in the past three years, which had two consecutive failed reports. Ms. Dabney reported the VBOA had access to view the results with the VSCPA. Mr. Jewell inquired as to whether the AICPA could establish a report option to generate a report that would list firms with two-consecutive or more pass with deficiency or failed reports, and if not, the VBOA would need to duplicate their process. Ms. Walker raised her concern that currently the results for firm peer review is not subject to FOIA. Once the VSCPA file is downloaded to the VBOA, the documents become subject to FOIA. Mr. Jewell explained our first step is ensuring our firms are obtaining a peer review, and second, if the peer review results in a failed or pass with deficiency report what action is necessary. Mr. Bradshaw explained that our proposal would need to indicate firms with two consecutive failed peer reviews and/or pass with deficiencies would be sent to the enforcement committee. Mr. Bradshaw has asked Mr. Jewell to come up with this proposal for the Board to vote on. Mr. Jewell noted when firms are renewing their license they certify they have met the requirements for renewal and are enrolled in a peer review program.

### **EIGHT-HOUR CPE FOR ATTEST & COMPILATION**

Mr. Bradshaw led the discussion regarding the eight hours CPE for attest and compilation requirement issues with the VSCPA’s identification of A&A courses. He noted he is working closely with the VSCPA for clarity.

### **CPE**

#### **VBOA/VSCPA discussions**

Mr. Jewell reminded the Board that the VSCPA had requested our participation in a CPE committee/discussion. Mr. Jewell and Dr. Cochran were selected as VBOA liaisons with the committee.

The VSCPA to date has not formed the committee. Ms. Walker reported Dr. Cochran is very diligent in checking with the VSCPA on the status of this issue.

### **CPE for attending Board meetings**

Ms. Saunders led the discussion of earning CPE for attending Board meetings. Ms. Saunders explained the earned CPE is for CPA attendees and not Board members. She indicated the matter will be discussed at the regional meeting next week. Ms. Kilmer noted there should be a limit to the hours earned. Mr. Holland suggested adding the board meeting material to the ethics course. Further discussion ensued and Mr. Bradshaw requested Mr. Jewell and staff to draft a policy.

### **ACTIVE – CPE EXEMPT STATUS – VOLUNTEER SERVICES IMPACT**

Mr. Bradshaw led the discussion regarding the new Active - CPE Exempt status that becomes effective July 1, 2014, and its potential impact on volunteer services. Mr. Bradshaw met with Stephen D. Holton, CPA, and Lawrence D. Samuel, CPA (former board members and chairs) and the consensus was that this status will not “trip up individuals into requiring a firm license and peer review.” The new status should not affect a CPAs volunteer service status.

### **UAA – SEVENTH EDITION & MODEL RULES**

The AICPA and NASBA have issued the latest version of the UAA and model rules.

### **AICPA PEER REVIEW BOARD – UPDATE**

Mr. Jewell led the discussion regarding the AICPA peer review board update. Mr. Jewell read a detailed email from Mr. Dan Dustin, Vice President of State Board Relations, NASBA, regarding the AICPA’s proposed revisions. As proposed, the VSCPA will be required to notify the VBOA of anyone with a peer review recall. Ms. Dabney explained the guidance currently changes weekly, and recalls occur when there is an omission. This change in process will alert the VBOA when a firm has potentially violated some aspect of the peer review requirements (i.e., notification of services provided). The completeness assertion related to the peer review program needs attention. Boards of Accountancy, including Virginia, need to address whether all firms required to be enrolled in a peer review program are actually enrolled. Also, are enrolled firms disclosing all engagements that should be subject to review?

### **BOARD ADMINISTRATION – FY2015 OFFICERS & COMMITTEES**

Mr. Bradshaw noted he was not in a position to cover this topic at this time; however, he plans to touch base with everyone regarding appointments and will make his recommendations at the June 24 Board meeting.

### **OTHER MATTERS**

Ms. Kilmer asked Ms. Grant to provide a status of whether the VBOA was provided the NASBA enforcement report. Ms. Grant confirmed the report was received from NASBA on an excel spreadsheet.

Ms. Kilmer added that she felt the annual planning meeting was critical for thoughts and ideas.



**FUTURE BOARD MEETING**

Tuesday, June 24, 2014.

**CONFLICT OF INTEREST FORMS/TRAVEL EXPENSE VOUCHERS**

Ms. Kilmer asked the members to complete and sign their conflict of interest forms and their travel vouchers.

**ADJOURNMENT**

Comprehensive discussions in relation to each topic enabled members of the Board to have a clear understanding of the course of action to ensure adherence to the agency's mandate to protect the citizens of the Commonwealth.

Looking forward, the Board remains committed to maintaining a leading position in the regulation of the accounting profession through the development and implementation of innovative changes affecting the examination and licensure of CPAs.

The members adjourned the annual planning meeting at 3:20 p.m.

**APPROVED:**

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Andrea M. Kilmer, CPA, CFF, CGMA, Chair

**COPY TESTE:**

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Wade A. Jewell, Executive Director