

FINAL/Approved for November 5, 2015
THE VIRGINIA BOARD OF ACCOUNTANCY

The Virginia Board of Accountancy (VBOA) met on Thursday, November 5, 2015 at James Madison University, Lakeview Hall, 298 Port Republic Road, Room 1104/1106, Harrisonburg, Virginia 22807.

MEMBERS PRESENT: Stephanie S. Saunders, CPA, Chair
Marc B. Moyers, CPA, Vice Chair
Matthew P. Boshier, Esq.
D. Brian Carson, CPA
Susan Quaintance Ferguson, CPA
James M. “Jim” Holland, CPA

MEMBERS NOT PRESENT: Andrea M. Kilmer, CPA

STAFF PRESENT: Wade A. Jewell, Executive Director
Chantal K. Scifres, Deputy Director
Mary T. Charity, Director of Operations
Kelli Anderson, Communications Manager
Nicholas R. Tazza, Assistant Manager, Licensing and Examination
Patti Hambright, CPE/Peer Review Coordinator and Administrative Assistant

MEMBERS OF THE PUBLIC PRESENT: Colleen Conrad, CPA, Executive Vice President and Chief Operating Officer, National Association of State Boards of Accountancy (NASBA)
Tim Louwers, CPA, Director of the School of Accountancy, James Madison University
Kevin Humphries, CPA, Partner, PBMares, LLP
Alexander Gabbin, Professor of Accounting, James Madison University
Nancy Nichols, Journal of Accounting Education Professor, James Madison University
David Hayes, Associate Professor of Accounting, James Madison University
Sandra Cereola, Assistant Professor of Accounting, James Madison University
Irana Scott, Assistant Professor of Accounting, James Madison University
Eileen Shifflett, Lecturer of Accounting, James Madison University
Stephanie Peters, CAE, CEO, Virginia Society of Certified Public Accountants
Emily Walker, Vice President, Advocacy, Virginia Society of Certified Public Accountants
Linda Newsom-McCurdy, Education Director, Virginia Society of Certified Public Accountants
More than 300 James Madison University students attended

CALL TO ORDER

Chairman Saunders called the meeting to order at 10:05 a.m.

SECURITY BRIEFING

Ms. Hambright provided the emergency evacuation procedures.

DETERMINATION OF QUORUM

Ms. Saunders determined there was a quorum present.

APPROVAL OF AGENDA

Upon a motion by Mr. Holland, and duly seconded, the members voted unanimously to approve the November 5, 2015 agenda as presented. The members voting “**AYE**” were Ms. Saunders, Mr. Moyers, Mr. Boshier, Mr. Carson, Ms. Ferguson and Mr. Holland.

APPROVAL OF MINUTES

Upon a motion by Mr. Holland, and duly seconded, the members voted unanimously to approve the September 29, 2015 Board meeting minutes as presented. The members voting “**AYE**” were Ms. Saunders, Mr. Moyers, Mr. Boshier, Mr. Carson, Ms. Ferguson and Mr. Holland.

BOARD MEMBER/STAFF INTRODUCTIONS

Ms. Saunders extended a thank you from the Board to James Madison University for hosting the Board meeting and to Ms. Ferguson in particular for all her hard work. Board members and staff introduced themselves.

WELCOME

Mr. Louwers welcomed the VBOA, James Madison University faculty, students and, also, any faculty and students from the neighboring schools of Bridgewater College and Eastern Mennonite University. He noted JMU had been founded in 1908 while the VBOA was established in 1910 and only recently had their paths crossed. Mr. Louwers congratulated Ms. Ferguson on her appointment to the VBOA Board.

CPA EXAM EXPOSURE DRAFT/PROPOSED CHANGES

Mr. Jewell introduced Ms. Conrad and noted the close partnership with NASBA, AICPA and Prometric. He also noted the comment deadline regarding the examination exposure draft as November 30, 2015.

Ms. Conrad reviewed proposed changes to the CPA examination. All proposed changes would be approved by the AICPA’s BOE (Board of Examiners) before implementation. She noted April 2017 as the target date for the implementation of changes to the exam. She noted the proposed changes were necessary in keeping the examination up-to-date with the required knowledge, skills and professional responsibilities of newly licensed CPAs. Boards of Accountancy rely on the examination in determining if a candidate meets the high standard to become licensed as a CPA. Ms. Conrad noted the four sections of the examination would not change; however, each section would now consist of a 4 hour exam. Potential significant changes included simulations which would be added to the BEC section. In addition, candidates would need to use their judgement to draw conclusions and must demonstrate not only memorization, but the ability to remember, evaluate, understand and draw conclusions. She noted the possibility of expanding each testing window by ten days was being reviewed and considered. Also, the possibility of taking the same exam section twice in one window was being considered. However, the

candidate would not be able to retake the same exam until after his/her score had been received. She also noted the exam cost would increase a small amount. Ms. Conrad fielded questions from Board Members and students.

IMPACT OF PROPOSED CPA EXAM CHANGES ON EDUCATION: A PERSPECTIVE

Mr. Louwers also noted the close working relationship with NASBA, AICPA and Prometric. He noted that although the 4 sections of the examination had not changed, the proposed changes included a greater integration of information between sections. He noted cognitive levels being tested were moving away from remembering, understanding and application and more towards analysis and evaluation. Mr. Louwers included a brief video and explained the new “flipped” classroom technique being used to teach students. The flipped classroom is a pedagogical model in which typical lectures and homework elements of a course are reversed. At their convenience students are able to view a video lecture. Classroom time is then used for learning activities and projects. The traditional classroom includes a lecture and then homework. The flipped classroom benefits include the ability to replay the lecture as often as necessary and more class time for projects. Mr. Louwers fielded questions from Board Members and students. Mr. Jewell thanked the students for participating and introduced Mr. Tazza as their go-to-expert in the field of examination and licensure.

Ms. Saunders welcomed Ms. Peters, Ms. Walker and Ms. Newsom-McCurdy of the VSCPA. Ms. Peters advised the students of the free membership available to students and the many resources the VSCPA offers.

BOARD DISCUSSION – PROPOSED CHANGES TO THE CPA EXAM

Ms. Saunders led the discussion regarding the NASBA response to proposed changes to the CPA exam. After an in depth discussion the Board members decided as a Board no response was needed; however, Board members were welcome to respond on an individual basis. The Board agreed the CPA exam to be moving in the right direction.

RECESS FOR BOARD LUNCH 12:20

RECONVENE 1:07

COMMITTEE/NASBA UPDATES

Ms. Saunders welcomed arriving students and summarized the morning events. Once again she thanked JMU for hosting the Board meeting and commended the students for their overwhelming turnout.

Ms. Saunders led the discussion regarding the NASBA 2016 Committee Assignments. She noted the National Association of State Boards of Accountancy (NASBA) as an association dedicated to enhancing the effectiveness of the country’s 55 state boards of accountancy to effectively aid boards in their goal to protect the public. The current NASBA Committee assignments:

- Matthew P. Boshier – Standard-Setting Advisory Committee
- James M. “Jim” Holland – Continuing Professional Education (CPE) Committee
- Andrea M. Kilmer – Diversity Committee
- Marc B. Moyers – Ethics Committee
- Stephanie S. Saunders – Communications Committee, Relations with Member Board Committee, Middle Atlantic Regional Director

Ms. Saunders led the discussion regarding the NASBA Communications Committee. She noted Mr. Jewell presented at the Communications Officers breakfast at the Annual Meeting. Discussions included the VBOAs participation in Town Hall Meetings with the VSCPA on topics including audit quality and peer review issues.

There were no updates to the NASBA Legislative Support Committee at this time.

Mr. Moyers led the discussion regarding the NASBA Ethics Committee. He noted the committee dealt with the development and maintenance of high-quality standards of ethical practice to protect the public. There were no updates at this time.

Ms. Saunders led the discussion regarding the NASBA Annual Meeting. She noted the meeting was held October 25 – 28 in Dana Point, CA. Ms. Saunders, Mr. Moyers and Mr. Jewell attended. She noted the meeting as a useful way of networking with other boards. Discussions included the Uniform Accountancy Act (UAA), firm mobility and adding a retired designation. Topics also included CPE reciprocity, which Virginia has. NASBA is working towards all states having interchangeable CPE. The high failure rate of Peer Review was also discussed. Mr. Jewell noted the meeting included the election of NASBA's officers and directors for 2015-2016, reports of several committees and of the president.

Mr. Jewell led the discussion regarding the NASBA Executive Director's Committee. Mr. Jewell noted the committee consisted of 9 members including himself and two NASBA staff liaisons, and is responsible for planning the annual Executive Director's Conference. The annual conference would be held in March of 2016 in Tucson, AZ. The committee supports executive directors in their roles with Boards of Accountancy.

EXECUTIVE DIRECTOR'S REPORT

Mr. Jewell presented general updates regarding the VBOA:

- Mr. Jewell noted he had met with the VSCPA for their quarterly meeting on Tuesday, November 3, 2015. Discussions included participation in Town Hall Meetings regarding audit quality and peer review issues, and the November 5 Board meeting. He noted the Board worked closely with the VSCPA when drafting state statutes and regulations to pass through the General Assembly. Mr. Jewell noted that he would be attending the November 6 VSCPA Board meeting.
- Mr. Jewell noted the Board had 12 filled full-time positions and 2 part-time positions that were not filled. The new full-time VBOA IT position had been filled with a start date of October 25, 2015.
- Mr. Jewell updated the Board with progress in developing the Request for Proposal (RFP) template for a new database. Meetings have been held between Board staff and a North Highland Company representative to develop the RFP, with a goal of February 2016 to issue the RFP. The goal is to have a contract with a vendor by the summer of 2016.
- Mr. Jewell informed the Board about an upcoming system migration to new servers and implementation of updated software. The VBOA system would be offline from November 6, 2015 at 5:00 p.m. through Monday morning, November 9, 2015 to accommodate the server migration project.

- Mr. Jewell noted the VBOA is required to prepare financial statements annually and had retained the services of Dixon Hughes Goodman, LLP for their accounting expertise, would continue with their services to assist the Board in maintaining compliance with the implementation of GASB 68. Mr. Jewell thanked Ms. Scifres for her behind-the-scenes work. The VBOA is audited annually by the state Auditor of Public Accounts.
- For the benefit of the students Mr. Jewell explained in detail the Active-CPE Exempt status. Ms. Charity updated the Board with Active-CPE Exempt status applications. She noted 1,438 Active-CPE Exempt status applications have been received, with a total of 982 approved as of October 1, 2015.

September 2015 Board Report

Using the VBOA website, Mr. Jewell demonstrated the August 2015 Board Report for the benefit of the students. He noted at the end of August 2015 Virginia had 26,935 licensed CPAs while at the end of September 2015 Virginia had 27,042 licensed CPAs. He noted out of 55 jurisdictions Virginia is the 7th largest with individual CPA licensees. Mr. Jewell shared the enforcement statistics and a 24% failure rate with CPE audits in FY2015. In an effort to address the high Continuing Professional Education (CPE) audit failure rate, the Board currently requires all new licensees to sign a form indicating they have read and understand the CPE requirements.

September 2015 Financial Report

Mr. Jewell led the discussion regarding the September 2015 Financial Report. For the benefit of the students Mr. Jewell presented and fielded questions regarding the breakdown of the financial report.

ENFORCEMENT OVERVIEW

Ms. Saunders and Ms. Anderson led the discussion regarding the Board's enforcement processes. By using the VBOA website she demonstrated enforcement cases are posted alphabetically for public viewing. Ms. Saunders explained for the benefit of the students that an individual cannot refer to themselves as a CPA until all examinations have been passed and they have obtained a CPA license through the licensure process. She also noted that all licensed CPAs, unless they have been approved for the Active-CPE Exempt status, must obtain CPE.

BOARD DISCUSSION TOPICS

2016 Virginia-Specific Ethics Course

Mr. Jewell led the discussion regarding the 2016 Virginia-Specific Ethics Course, presenting an overview of the Board's process for developing an annual outline. For 2016 and beyond, the Board chose to issue an RFP to select a single content provider of the Board's approved outline. Following the RFP process that was managed by the state's Department of General Services, Division of Purchases and Supply (DPS), DPS awarded the contract in mid-October to the Virginia Society of CPAs (VSCPA). The contract is good for three calendar years, with options for two two-year renewals. All course material will be available through the VSCPA. Vendors administering the Virginia-Specific Ethics Course must be approved by the VBOA and taught by a licensed CPA. Thirty vendors had been approved for the 2015 Virginia-Specific Ethics Course and must reapply annually.

AICPA/NASBA – CGMA Designation

Ms. Saunders led the discussion regarding the AICPA proposal regarding the CGMA designation. Ms. Saunders noted the AICPA board would adopt a resolution allowing a Chartered Global Management Accountant (CGMA) AICPA membership. She noted this was the first time the AICPA had allowed a non-CPA regular membership.

AICPA/NASBA (Uniform Accountancy Act) Retired Status

Ms. Saunders led the discussion regarding the AICPA/NASBA UAA (Uniform Accountancy Act) Retired Status. After a thorough discussion the Board agreed that Mr. Jewell along with Mr. Moyers and Mr. Carson would work towards a response for the February 2, 2016 exposure draft deadline.

CPE Reporting at Renewal

Mr. Jewell led the discussion regarding CPE Reporting at the time of license renewal. Board discussion included having licensees report CPE hours annually at the time of license renewal and resulting in license suspension if the licensee was not compliant. The Board suggested Mr. Jewell to draft a license renewal format for Board review.

Proposed changes to Board Policy #2 (CPE Guidelines for Sponsors), #4 (CPE Guidelines for CPAs), And #8 (Ethics Committee)

For the benefit of JMU students Mr. Jewell explained the ten VBOA Board Policies. After a thorough discussion regarding the proposed changes of Board Policies #2, #4, and #8 the recommendations will be posted on the VBOA website to receive public comment.

Recommendations for CPE Credit (Exams)

Ms. Ferguson led the discussion regarding the recommendations for CPE credit. Ms. Ferguson recommended CPAs earning 15 CPE for passing each of the 5 Society of Actuaries Chartered Enterprise Risk Analyst (CERA) exams and an additional 15 CPE for completing the 3 study units. In addition, Ms. Ferguson recommended CPAs earning 20 CPE for completing the 3 courses followed by passing an exam for the Retirement Income Certified Professional (RICP).

Following the comprehensive review and discussion, upon a motion by Ms. Ferguson, and duly seconded, the members voted unanimously in support of the recommendations. The members voting “**AYE**” were Ms. Saunders, Mr. Moyers, Mr. Boshier, Mr. Carson, Ms. Ferguson and Mr. Holland.

ADDITIONAL ITEMS FOR DISCUSSION

Carry Over Items / Potential Future Topics

- CPE – VBOA/VSCPA discussions
- Inactive Status/Retired Status
- Single Renewal Date all Virginia Licensees
- Trust Fund Reserve Policy
- Background checks
- Statute/Regulation changes

- Fraudulent Transcripts and CPE Certificates
- Expiring Licensees (Survey)
- Professional Issues/Updates – Board responses
- North Carolina Dental Case
- Nano Learning

Sign Conflict of Interest Forms

Sign Travel Expense Vouchers

Mr. Jewell notified Board Members once all travel expenses have been submitted, travel expense vouchers would be issued.

Future Meeting Dates

December 11, 2015
January 28, 2016

ADJOURNMENT

There being no further business before the VBOA, upon a motion by Mr. Holland, and duly seconded, the meeting was adjourned by unanimous vote at 3:45 p.m. The members voting “**AYE**” were Ms. Saunders, Mr. Moyers, Mr. Boshier, Mr. Carson, Ms. Ferguson and Mr. Holland.

APPROVED:

Stephanie S. Saunders, CPA, Chair

COPY TESTE:

Wade A. Jewell, Executive Director