

# THE VIRGINIA BOARD OF ACCOUNTANCY

## MEETING MINUTES

The Virginia Board of Accountancy (Board) met on Wednesday, June 29, 2005, in Room 395 of the 3600 West Broad Street Building, Richmond, Virginia 23230.

The following Board members present for the entire meeting were:

Harry D. Dickinson, Ph.D., CPA, Chairman  
Jane M. Little, CPA, Vice Chairman  
O. Whitfield Broome, Ph.D., CPA  
Stephen D. Holton, CPA  
Regina P. Brayboy, MPA  
Dian T. Calderone, MTX, CPA  
Lawrence D. Samuel, CPA

The Board staff present for the entire meeting was:

Mark D'Amato, Board Administrator

The Board staff present for a portion of the meeting was:

Nancy Taylor Feldman, Executive Director

Also in attendance for the entire meeting was:

Howard T. Macrae, Jr., Assistant Attorney General

In attendance for a portion of the meeting were:

Erin Collins, Government Affairs Director, Virginia Society of Certified Public Accountants  
Steven S. Cotton, Vice President and General Counsel, National College of Business and Technology

Chairman Dickinson called the meeting to order at 10:10 a.m. He welcomed those in attendance to the meeting.

### **Call to Order**

Chairman Dickinson determined that a quorum was present.

### **Determination of Quorum**

Upon a motion by Ms. Calderone, and seconded by Ms. Brayboy, the Board approved the agenda by unanimous vote. The members voting “**AYE**” were Dr. Dickinson, Ms. Little, Dr. Broome, Mr. Holton, Ms. Brayboy, Ms. Calderone, and Mr. Samuel.

**Approval of Agenda**

The Board’s Final Agenda was as follows:

Call to Order  
Determination of Quorum  
Approval of Agenda  
Public Comment Period

A. Approval of Minutes from June 3, 2005 Board meeting

B. Committee Reports:

1. Legislative/Regulatory

Stephen D. Holton, CPA, Committee Chairman

a. Meeting—June 20, 2005

b. Review of Comments on Proposed Regulations and  
Adoption of Final Regulations

Recess for Lunch

Reconvene

B. Committee Reports (cont’d):

2. Enforcement

Jane M. Little, CPA, Committee Chairman

a. PCAOB Confidentiality Agreement

b. Case: File Number 2005-D02 (Board v. Hersh)

3. Education/Examination

O. Whitfield Broome, Ph.D., CPA, Committee Chairman

a. Meeting—May 26, 2005 (Remaining Item)

b. Meeting—June 27, 2005

c. CPAES Contract Extension

4. Administrative/Personnel/Finance

Harry D. Dickinson, Ph.D., CPA, Committee Chairman

a. Financial: FY2005 – Information as of April 30, 2005

b. Financial: FY2005 – Information as of May 31, 2005

5. Public Relations

Harry D. Dickinson, Ph.D., CPA, Committee Chairman

6. Strategic Planning

Harry D. Dickinson, Ph.D., CPA, Committee Chairman

C. NASBA

1. Report on Eastern Regional Meeting
2. Regional Directors' Focus Questions

D. Future Meetings and Training

E. Chairman's Comments

Sign Conflict of Interest Forms  
Complete Travel Expense Vouchers

Adjournment

Chairman Dickinson opened the floor for public comment.

**Public Comment  
Period**

The following attendees introduced themselves to the Board: (1) Ms. Collins, the Government Affairs Director with the Virginia Society of Certified Public Accountants (VSCPA); and (2) Mr. Cotton, the Vice President and General Counsel of the National College of Business and Technology (NCBT). Both had no comments for the Board at this time.

With no other members of the public wishing to address the Board about an issue of concern to them, Chairman Dickinson moved to the next item of business.

The members reviewed the draft minutes from the Board meeting held on June 3, 2005.

**A. Approval of  
Minutes from June  
3, 2005 Board  
meeting**

Upon a motion by Dr. Broome, and seconded by Mr. Samuel, the Board by unanimous vote approved the minutes from its meeting on June 3, 2005. The members voting "AYE" were Dr. Dickinson, Ms. Little, Dr. Broome, Mr. Holton, Ms. Brayboy, Ms. Calderone, and Mr. Samuel.

Mr. Holton presented a discussion document to the other members about possible statutory and regulatory changes with reference to: (1) the use of the term "CPA;" (2) the registration of firms; (3) the definition of "accredited institution;" and (4) the amendment of the proposed regulatory package (#1).

**B. Committee  
Reports:  
1. Legislative/  
Regulatory –  
Stephen D. Holton,  
CPA, Committee  
Chairman  
a. Meeting—June**

Mr. Holton opened a conceptual discussion about the use of the term "CPA." The members considered how the use of the term changes

when it is used on someone's letterhead, business cards, resume, and/or on the wall certificate hanging in someone's office or home. The discussion centered on whether the designation is an expression of a CPA's current experience (and licensure status), or is an expression of a fact, *i.e.*, having passed the CPA exam. Both expressions, the members agreed, communicate to the public; the question becomes what the public should know about, and reasonably expect from, these expressions.

**20, 2005**

The members asked Board staff to request a quick poll through the National Association of State Boards of Accountancy (NASBA) on how other state boards deal with the use of the "CPA" title on a wall certificate versus on a resume.

The Board recessed from 11:35 a.m. to 11:45 a.m.

**Board Recess**

Mr. Holton proceeded to review a revision to the proposed regulatory package (#1) submitted by Ms. Collins of the VSCPA, which read as follows: "Effective January 1, 2006, any entity or person offering the Virginia Ethics CPE course must submit to the Board for approval their content and instructor's manual along with a processing fee as prescribed by the Board in 18 VAC 5-21-20. Such Board approval must be obtained before the course may be administered." The committee recommended adopting this language in the Board's proposed package. The members then examined how such an approval process would need to be implemented. This would entail establishing procedures by which CPE vendors must submit a course to the Board for review and approval.

**B. Committee Reports (cont'd):**  
**1. Legislative/Regulatory –**  
**Stephen D. Holton,**  
**CPA, Committee Chairman**  
**a. Meeting—June 20, 2005 (cont'd)**

The Board agreed that any revised regulatory language about the Board reviewing and approving the Ethics CPE course must be submitted to a 30-day public comment period, beyond that of the normal promulgation process, through the Board's website. The Board also agreed to task the Education/Examination Committee with developing model procedures for the Board review and approval of the Ethics CPE course.

The members agreed to continue their discussion after lunch.

The Board recessed from 12:20 p.m. to 12:53 p.m. for lunch.

**Recess for Lunch**

Mr. Holton continued onto another conceptual discussion; this one was about clarifying the statutory definitions of “attestation engagement,” “firm,” and “peer review.” The purpose of these new definitions would be to clarify when a firm permit and/or a peer review is required.

Mr. Holton then discussed the committee’s recommendation to propose a new definition of “accredited institution.” The goal was to have regional accrediting institutions serve as the benchmark against which other accrediting institutions must to prove their comparability. Mr. Cotton stated that the national accrediting institution for NCBT would need sufficient time to provide Board with the necessary materials to prove its comparability. Mr. Holton recommended that any proposed change would include transitional language to allow time for NCBT to demonstrate the comparability of its accrediting institution to the Board.

Next, further regulatory changes recommended by the committee were reviewed by the Board. These included language that: (1) clarifies how long a Virginia exam candidate could take the CPA exam under the 120-hour education requirement beyond July 1, 2006; (2) establishes a 31-day grace period at the end of the continuing professional education (CPE) reporting year or cycle for a regulant to complete his CPE requirement; (3) waives a regulant with a valid CPA certificate from another state in which he has his principal office, other than Virginia, from having to meet the Board’s CPE requirement, so long as the CPE requirement of that state is at least 120 CPE credits for a three-year CPE reporting cycle; and (4) revises the list of standards of conduct for all regulants.

The final committee recommendations discussed by Mr. Holton were those items that the Board should refrain from undertaking at the present. They included: (1) not adding regulatory language about how a regulant’s conduct may reflect adversely upon his fitness to perform services or how long a regulant must retain his working papers; and (2) not instituting a confidential consent agreement for enforcement cases.

Mr. Holton stated that he would incorporate the recommended changes agreed upon by the Board into the proposed regulatory package (#1).

**B. Committee Reports (cont’d):**  
**1. Legislative/Regulatory –**  
**Stephen D. Holton,**  
**CPA, Committee**  
**Chairman**  
**a. Meeting—June**  
**20, 2005 (cont’d)**

**b. Review of**  
**Comments on**  
**Proposed**

**Regulations and  
Adoption of Final  
Regulations**

The Board recessed from 2:21 p.m. to 2:35 p.m.

**Board Recess**

Ms. Little opened the discussion on the confidentiality agreement from the Public Company Accounting Oversight Board (PCAOB) by reviewing how other state boards were dealing with the firm inspection reports prepared by the PCAOB. At the Eastern Regional meeting of the National Association of State Boards of Accountancy (NASBA), numerous state boards reported that while they accepted the inspection reports, the main question confronting them was what to do with the reports. Mr. Macrae reported that at the law conference he attended the PCAOB counsel confirmed that the location of the CPA firm with deficiencies is not included in the inspection report. It was noted that such firms have one year to correct any deficiencies. Ms. Feldman suggested that NASBA and the PCAOB could work together to make these reports available to state board directors through the NASBA website, thereby alleviating the necessity of individual boards to maintain what could be voluminous reports.

**B. Committee  
Reports (cont'd):  
2. Enforcement –  
Jane M. Little,  
CPA, Committee  
Chairman  
a. PCAOB  
Confidentiality  
Agreement**

The Board reached a consensus about the PCAOB confidentiality agreement that will be relayed to the PCAOB in a letter. The Board determined after its in-depth consideration of this matter, which included discussions at NASBA meetings and with PCAOB lawyers, as well as the advice of counsel, that because the PCAOB reports do not identify the location of the CPA firms with deficiencies, the reports would not provide information needed to investigate a possible violation. At such time as information is provided in these reports that would allow the Board to commence an investigation, the Board will consider executing the confidentiality agreement. The Board is very concerned that the media could ask how the Board is handling these reports and it could reflect poorly on the profession if the Board had to indicate that the reports are being filed with no action. The Board understands that other state boards are filing the reports without review and with no action. The Board would welcome a representative of the PCAOB at a board meeting to discuss the matter.

Ms. Little noted that she would recuse herself from any action on the enforcement case due to her involvement as a committee member; Mr. Samuel recused himself for the same reason. Ms. Little and Mr.

**b. Case: File  
Number 2005-D02  
(Board v. Hersh)**

Samuel left the room.

Dr. Dickinson stated that the members' task would be to review the findings of fact, conclusions of law and recommended sanctions contained in the consent agreement signed by Ms. Hersh. The members may adopt, modify, or reject the findings of facts, and the recommended sanctions contained in that document.

The members discussed the case, which involved an individual CPA, while still working at a firm, mailing letters on her own personal stationery, using the CPA title, to the clients of that firm.

In the matter of **File Number 2005-D02, Board v. Hersh**, the Board reviewed the consent agreement with its findings of fact, conclusions of law and sanctions. Ms. Hersh was not present, nor was her attorney present to represent him.

Upon a motion by Ms. Brayboy, and seconded by Ms. Calderone, the Board by unanimous vote agreed to defer action on this consent agreement, and to refer the case back to the Enforcement Committee for consideration of mediation. The members voting "AYE" were Dr. Dickinson, Dr. Broome, Mr. Holton, Ms. Brayboy, and Ms. Calderone. Ms. Little and Mr. Samuel were not present and did not participate in the discussion or vote.

Dr. Broome, as chairman of the Education/Examination Committee, referenced the committee reports for the May 26<sup>th</sup> and June 27<sup>th</sup> meetings. The item remaining from the May meeting would be discussed with the three items from the June meeting. They were, in order: (1) the need for additional oversight of CPE providers; (2) the administration of the CPA exam by the Board; (3) the re-test policy of NASBA; and (4) the preparation of the Board's comments in response to the proposed changes to the 150-hour education requirements in the Uniform Accountancy Act (UAA).

**3. Education/  
Examination – O.  
Whitfield Broome  
Ph.D., CPA,  
Committee  
Chairman  
a. Meeting—May  
26, 2005 (Remaining  
Item)**

First, Dr. Broome noted the committee's recommendation that Board staff will prepare a newsletter article on CPE and CPE providers, highlighting the importance of selecting CPE courses and CPE providers, and of sharing any negative feedback with the Board about providers and the courses they offer. The Board reached a consensus that such an article should be included in the next newsletter and that CPAs should look for courses identified as being in accord with, or constructed upon, the Statement on Standards of CPE Programs developed jointly by NASBA and the American Institute of Certified



Public Accountants (AICPA).

Dr. Broome then addressed the items from the committee report for the June 27<sup>th</sup> meeting.

**b. Meeting—June 27, 2005**

The first item was about bringing the administration of the CPA exam in-house. According to Dr. Broome, the committee recommended that Board staff prepare a plan outlining the costs of this project for the Education/Examination Committee by July 1, 2005. After the committee's review, the plan would be presented at the Board meeting on July 26<sup>th</sup>.

Second, Dr. Broome referenced NASBA's re-test policy, which NASBA wanted to be adopted by the state boards as their policy. The concern expressed by the Board was how such a policy would affect Virginia exam candidates, especially if the Virginia Board would lose having any voice in the process. It is important, the members concurred, that the Board retain its role in the exam process because Virginia candidates must always be able to contact the Board with their questions. The Board agreed to: (1) thank NASBA for providing a re-test policy to the Board; (2) inform NASBA that the Board will not accept this policy as its own policy; and (3) request that the Virginia Board continue to be notified about all questions raised by Virginia exam candidates. The Board also asked Ms. Collins to add information to the VSCPA website informing Virginia candidates that the Board can be contacted should any problems arise with the exam.

Third, the Board discussed its response to the proposed UAA changes to the 150-hour education requirements. Dr. Broome informed the other members that NASBA's Education Committee was revising the current exposure draft, and had extended the deadline for comments to August 27, 2005. Chairman Dickinson noted the importance of the Board submitting comments on the current exposure draft. The Board agreed that the chairman of the Education/Examination Committee should draft and submit a letter of comments to NASBA's Education Committee, providing copies to the NASBA Regional Director, the Executive Directors of other state boards, and the VSCPA's Executive Committee.

The members then addressed the extension of the contract with CPA Examination Services, Inc. (CPAES), which included reviewing the Contract Modification Agreement, Number 2.

**c. CPAES Contract Extension**

Upon a motion by Ms. Brayboy, and seconded by Mr. Samuel, the



Board by unanimous vote approved the Contract Modification Agreement, Number 2, as amended, and the final one-year extension to the contract between the Board and CPAES. The members voting “AYE” were Dr. Dickinson, Ms. Little, Dr. Broome, Mr. Holton, Ms. Brayboy, Ms. Calderone, and Mr. Samuel.

The Board recessed from 4:30 p.m. to 4:45 p.m.

Dr. Dickinson, as chairman of the Administrative/Personnel/Finance Committee, informed the other Board members that the committee had not met.

The Board received the first financial statement (of information as of April 30, 2005) from Board staff for information purposes only, and took no action.

The Board received the second financial statement (of information as of May 31, 2005) from Board staff for information purposes only, and took no action.

Dr. Dickinson, as chairman of the Public Relations Committee, informed the other Board members that the committee had not met.

He briefly discussed the articles being written for the upcoming issue of the Board’s newsletter, which included an article he is writing about the 150-hour education requirement.

Dr. Broome, as chairman of the Strategic Planning Committee, informed the other Board members that the committee had not met.

The Board agreed to proceed with preparations for the strategic planning retreat scheduled for September 15<sup>th</sup> and 16<sup>th</sup> in

**Board Recess**

**4. Administrative/  
Personnel/Finance –  
Harry D. Dickinson,  
Ph.D., CPA,  
Committee  
Chairman**  
**a. Financial:  
FY2005 –  
Information as of  
April 30, 2005**

**b. Financial:  
FY2005 –  
Information as of  
May 31, 2005**

**5. Public Relations –  
Harry D. Dickinson,  
Ph.D., CPA,  
Committee  
Chairman**

**6. Strategic  
Planning – O.  
Whitfield Broome,  
Ph.D., CPA,  
Committee**

Williamsburg.

**Chairman**

The members discussed what they learned by attending NASBA's Eastern Regional meeting. Dr. Dickinson suggested that it was important for Board members to get involved with NASBA committees.

**C. NASBA**  
**1. Report on**  
**Eastern Regional**  
**Meeting**

The Board reviewed the NASBA Regional Directors' focus questions, and agreed to answers to be submitted by the deadline.

**2. Regional**  
**Directors' Focus**  
**Questions**

Mr. Macrae presented information to the members on how Chapter 352 of the 2005 Acts of the General Assembly, due to become effective on July 1, 2005, would affect the Board's ability to hold electronic meetings.

**D. Future Meetings**  
**and Training**

The Board agreed to defer this issue until the July meeting.

Chairman Dickinson shared several comments with the other members since his term as Board Chairman, and as a Board member, was ending. He noted that it had been a very positive experience working with the Board, and that the Board's current membership was the best he had witnessed due to its openness to a thorough discussion of ideas. He then turned over the chairman's gavel to Ms. Little, who will be the new board chairman beginning July 1<sup>st</sup>.

**E. Chairman's**  
**Comments**

Ms. Little then presented to Dr. Dickinson a plaque in recognition of his successful year as Chairman of the Board of Accountancy.

Chairman Dickinson asked the members to complete their conflict of interest forms.

**Conflict of**  
**Interest Forms**

Chairman Dickinson asked the members to complete their travel expense vouchers.

**Travel Expense**  
**Vouchers**

With no further business coming before the Board, upon a motion by Ms. Brayboy, and seconded by Mr. Samuel, the meeting was adjourned by unanimous vote at 5:30 p.m. The members voting “**AYE**” were Dr. Dickinson, Ms. Little, Dr. Broome, Mr. Holton, Ms. Brayboy, Ms. Calderone, and Mr. Samuel.

**Adjournment**

**APPROVED:**

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Harry D. Dickinson, Ph.D., CPA, Chairman

**COPY TESTE:**

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Nancy Taylor Feldman, Executive Director