

THE VIRGINIA BOARD OF ACCOUNTANCY

MEETING MINUTES

The Virginia Board of Accountancy (Board) met on Thursday, May 6, 2004, in Salon III at the Holiday Inn-Richmond, 6531 West Broad Street, Richmond, Virginia 23230.

The following Board members present for the entire meeting were:

Barbara S. Pocalyko, CPA, Chairman
Harry D. Dickinson, Ph.D., CPA
Jane M. Little, CPA
Stephen D. Holton, CPA
O. Whitfield Broome, Ph.D., CPA

The following Board members present for a portion of the meeting were:

Howard L. Rogers, Vice Chairman
Ellis M. Dunkum, CPA, Past Chairman

The Board staff present for the entire meeting included:

Nancy Taylor Feldman, Executive Director
Mark D'Amato, Board Administrator

Also in attendance for the entire meeting was:

Howard T. Macrae, Jr., Assistant Attorney General

Also in attendance for a portion of the meeting were:

Joseph Brown, National Society of Accountants
Erin Collins, Government Affairs Team Leader, Virginia Society of Certified Public Accountants
Emily Walker, Regulatory Specialist, Virginia Society of Certified Public Accountants
Lewis O. Hall, CPA, partner, Keiter, Stephens, Hurst, Gary & Shreaves
J. Michael Todd, CPA, partner, Keiter, Stephens, Hurst, Gary & Shreaves
Ronald J. Gilbert, president, ESOP Services, Inc.

Chairman Pocalyko called the meeting to order at 10:03 a.m. She welcomed those in attendance to the meeting.

Call to Order

Chairman Pocalyko determined that a quorum was present.

Determination of Quorum

Upon a motion by Mr. Dunkum, and seconded by Dr. Broome, the Board approved by unanimous vote the agenda as amended. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Ms. Little, Mr. Holton, and Dr. Broome.

Approval of Agenda

The Board’s Final Agenda as amended was as follows:

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

A. Approval of Minutes from January 6, 2004 and February 6, 2004 Board Meetings

B. Committee Reports:

3. Legislative/Regulatory

Ellis M. Dunkum, CPA, Committee Chairman

a. Petition for Rulemaking – “CPA (Retired)” Designation

b. Emergency Separated Package 1 (CPA exam & Ethics) –
Proposed Action

A-1. Request from Keiter, Stephens, Hurst, Gary & Shreaves, CPAs & Consultants

Lewis O. Hall, CPA, partner, Keiter, Stephens, Hurst, Gary & Shreaves

J. Michael Todd, CPA, partner, Keiter, Stephens, Hurst, Gary & Shreaves

Ronald J. Gilbert, president, ESOP Services, Inc.

B. Committee Reports (cont’d):

1. Enforcement

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

a. Meetings – (January 30, 2004 and March 17, 2004)

2. Administrative/Personnel/Finance

Stephen D. Holton, CPA, Committee Chairman

3. Legislative/Regulatory

~~Ellis M. Dunkum, CPA, Committee Chairman~~

~~a. Petition for Rulemaking – “CPA (Retired)” Designation~~

~~b. Emergency Separated Package 1 (CPA exam & Ethics) –
Proposed Action~~

C. Board Plaques

B. Committee Reports (cont'd):

4. Public Relations
Jane M. Little, CPA, Committee Chairman
5. Education/Examination
O. Whitfield Broome, Ph.D., CPA, Committee Chairman
6. Strategic Planning
Howard L. Rogers, Committee Chairman

Recess for Board and Staff Luncheon

Reconvene

B. Committee Reports (cont'd):

7. Executive
Barbara S. Pocalyko, CPA, Committee Chairman

~~C. Board Plaques~~

D. New Business:

1. Peer Review – Adverse Report issued for failure to renew CPA license
2. NASBA
 - a. Nominations to Board of Directors
 - b. Exposure Draft: Rules implementing Uniform Accountancy Act

E. Future Meetings

- F. Election of Officers – Presentations of Slate
Barbara S. Pocalyko, CPA, Board Chairman

Sign Conflict of Interest Forms
Complete Travel Expense Vouchers

Adjournment

Chairman Pocalyko opened the floor for public comment.

**Public Comment
Period**

The following attendees introduced themselves to the Board: Mr. Brown, with the National Society of Accountants (NSA), Ms. Collins, the Government Affairs Team Leader with the Virginia Society of Certified Public Accountants (VSCPA), and Ms. Walker, the Regulatory Specialist with the VSCPA.

Ms. Collins reminded the Board that the VSCPA Leadership Conference would be held on May 13th and 14th.

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

Upon a motion by Dr. Dickinson, and seconded by Mr. Holton, the Board approved by unanimous vote the minutes from the Board meeting on January 6, 2004. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Ms. Little, Mr. Holton, and Dr. Broome.

A. Approval of Minutes from January 6, 2004 and February 6, 2004 Board Meetings

Upon a motion by Dr. Dickinson, and seconded by Dr. Broome, the Board approved by unanimous vote the minutes from the Board meeting on February 6, 2004 as amended. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Ms. Little, Mr. Holton, and Dr. Broome.

Mr. Dunkum reviewed the Petition for Rulemaking from W. Randolph Simmons, who petitioned the Board to amend its proposed new section (18 VAC 5-21-81), which created the new designation of “CPA (Inactive),” in Emergency Regulation Package 2. He wanted that designation to be changed to “CPA (Retired).” After a general discussion, the members agreed to add the designation “CPA (Retired),” along with “CPA (Inactive),” to the new section.

B. Committee Reports:
3. Legislative/Regulatory – Ellis M. Dunkum, CPA, Committee Chairman
a. Petition for Rulemaking – “CPA (Retired)” Designation

Mr. Dunkum assessed the results of the 2004 General Assembly Session, and the Board’s legislation (known as Senate Bill 539). The key points he mentioned included: (i) the maintenance of a special waiver for graduates of the National College of Business Technology (NCBT) to be admitted to the CPA exam, (ii) the change of the renewal period of a CPA firm permit from two years to one year, (iii) the removal of specified standards of conduct to clarify requirement to adhere to the most current standards, and (iv) the specification of the Board’s jurisdiction over current and former CPAs.

Mr. Dunkum also mentioned the ongoing objection of the Department of Planning and Budget (DPB) to the Board’s Emergency Regulation Package 2, which has delayed the executive branch review process.

The Board discussed Emergency Package 1, which included language about the computer-based CPA exam that began in April 2004, and

b. Emergency Separated Package

the annual requirement for continuing professional education (CPE) credits in ethics and professional standards. The emergency regulations, which became effective on December 15, 2003, had been filed as a Notice of Intended Regulatory Action (NOIRA). After publication in the Virginia Register of Regulations, the resulting 30-day public comment period resulted in no comments. The next step was to submit the draft as proposed regulations.

1 (CPA exam & Ethics) – Proposed Action

Upon a motion by Mr. Dunkum, and seconded by Ms. Little, the Board approved by unanimous vote the filing of Emergency Package 1 as a proposed action. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Mr. Dunkum, Dr. Dickinson, Ms. Little, Mr. Holton and Dr. Broome.

Ms. Collins asked the Board to add an item to the agenda for the Board meeting in June. The VSCPA wanted to provide the members with a progress report on their Ethics course. Dr. Dickinson noted that he had taught an Ethics course for the Battlefield Chapter of the VSCPA.

Mr. Dunkum left the meeting at 10:45 a.m.

Mr. Hall spoke to the Board about establishing an Employee Stock Ownership Plan (ESOP) at his firm—Keiter, Stephens, Hurst, Gary & Shreaves, CPAs & Consultants. Mr. Gilbert provided additional information to the members about the nature of ESOPs. In the discussion that followed, members of the Board examined how such a plan would be established, and whether any statutory or regulatory changes would be necessary. Mr. Hall agreed to provide Ms. Feldman with information from the Minnesota Board of Accountancy, which had allowed an ESOP to be formed in that state, for her review.

**A-1. Request from Keiter, Stephens, Hurst, Gary & Shreaves, CPAs & Consultants
Lewis O. Hall, CPA, and J. Michael Todd, CPA, partners, Keiter, Stephens, Hurst, Gary & Shreaves, and Ronald J. Gilbert, president, ESOP Services, Inc.**

Upon a motion by Mr. Holton, and seconded by Ms. Little, the Board agreed unanimously to refer this matter to the Legislative/Regulatory Committee for further review. The members voting “**AYE**” were Ms. Pocalyko, Mr. Rogers, Dr. Dickinson, Ms. Little, Mr. Holton, and Dr. Broome.

Dr. Dickinson reviewed the Committee Reports for meetings of the Enforcement Committee on January 30, 2004, and March 17, 2004, with the other members. The Board took no action on the reports.

**B. Committee Reports (cont'd):
1. Enforcement –**

While considering the methodology of Informal Fact-Finding Conferences (IFFs), Mr. Macrae provided several items for the members to consider.

The members agreed that the criteria for enforcement cases should be examined at the upcoming Board Retreat.

Ms. Feldman stated that the lease for the new Board office, which had been signed, would be effective on June 1, 2004, and includes additional parking spaces. She also informed the members about two personnel matters: (i) the position of reception person, a P-14, was filled and that individual would begin work on May 17th, and (ii) the position of IT Programmer/Database Manager, currently being filled by Darrin Adams, a P-14, was being considered as a permanent position.

Chairman Pocalyko presented Andrew J. Miller, the Program Manager at DynTek, Seat Management Services, with a plaque in grateful appreciation for his diligent efforts and services rendered to the Virginia Board of Accountancy, and the citizens of the Commonwealth.

As Vice Chairman of the Board, Mr. Rogers presented to Ms. Pocalyko a plaque of appreciation in recognition of her service as Chairman of the Virginia Board of Accountancy from July 1, 2003 to June 30, 2004.

The members received a report from Ms. Little that the newsletter had been completed in April. It was added to the Board's web site and mailed to the Board's regulants. She also noted that suggested article topics for the June newsletter had been sent to the Board members and staff.

Ms. Collins told the Board that the VSCPA would assist in identifying the so-called "high risk" population—those in industry, at home, or retired/inactive—who do not keep current on regulatory and/or statutory changes. The members agreed that every effort should be made to reach as many of the Board's regulants and former regulants as possible.

Dr. Broome reported his work with Mary Charity, the Board's Licensing Coordinator, on individual appeals to take the new

Harry D. Dickinson,
Ph.D., CPA,
Committee
Chairman
a. Meetings –
January 30, 2004
and March 17, 2004

2. Administrative/
Personnel/Finance –
Stephen D. Holton,
CPA, Committee
Chairman

C. Board Plaques

B. Committee
Reports (cont'd):
4. Public Relations –
Jane M. Little,
CPA, Committee
Chairman

5. Education/
Examination – O.

computer-based CPA exam. He also noted that he would research whether other state accountancy boards allow CPE credits for the preparation and successful completion of exams for professional licenses.

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

The members then began a general discussion about the progress of the computer-based CPA exam. They specifically reviewed what type of information would be needed to determine the progress of the exam, including (i) the number of exam sites that were overcrowded, (ii) the type of problems that are being reported to the CPA Examination Service (CPAES), and (iii) the process of releasing grades at the completion of the testing windows.

The Board agreed that the overall progress of the CPA exam at this time was good, and that the work being done by the parties involved was appreciated.

In planning for the upcoming Board Retreat, the members were asked to send a list of several possible topics for the Retreat agenda to Ms. Feldman by e-mail.

6. Strategic
Planning – Howard
L. Rogers,
Committee
Chairman

The Board recessed from 12:30 p.m. to 1:00 p.m. for a luncheon.

Recess for Board
and Staff Luncheon

Chairman Pocalyko informed the members that she had nothing new to report about the activities of the Executive Committee.

B. Committee
Reports (cont'd):
7. Executive –
Barbara S.
Pocalyko, CPA,
Committee
Chairman

The Board considered what a CPA must do if an adverse report is issued solely due to the CPA being unlicensed during the period of a peer review of their CPA firm. The members addressed this matter as a general policy question since a CPA, once reinstated according to Board regulation, 18 VAC 5-21-100, “shall be regarded as having been a regulant continuously without interruption.” The Board considered two issues: (i) whether an adverse report given in the above described situation would prevent a CPA from renewing their

D. New Business:
1. Peer Review –
Adverse Report
issued for failure to
renew CPA license

CPA firm permit; and (ii) whether the CPA would need to take certain steps at the time the firm permit is renewed.

The Board agreed that if a CPA should receive an adverse report during a peer review of their CPA firm, based solely on failing to renew their CPA license, and nothing else, then the CPA can renew their CPA firm permit. Furthermore, the CPA must submit the adverse report at the next time their firm permit is renewed, and the final acceptance letter when it is issued.

The Board reviewed a memorandum from David Costello, CPA, of the National Association of State Boards of Accountancy (NASBA) about the nomination of Diane Rubin, CPA, as Vice Chairman of the Board of Directors for the 2004-2005 term.

2. NASBA
a. Nominations to
Board of Directors

The members also discussed whether a policy was needed about putting forward the names of Board members as candidates for a NASBA Regional Director slot.

The Board reviewed an exposure draft about rules implementing the Uniform Accountancy Act (UAA). The draft contained rules for: (i) licensees' reporting convictions, judgments and administrative proceedings to the state boards of accountancy; (ii) documentation for attest engagements and retention of those documents for entities not covered by the rules of the Public Company Accounting Oversight Board (PCAOB); (iii) submission of peer review reports to the board of accountancy by the reviewed CPA firm; and (iv) extension of practice privileges to licensees with four years of qualifying experience within the past ten years.

b. Exposure Draft:
Rules implementing
Uniform
Accountancy Act

Upon a motion by Dr. Broome, and seconded by Dr. Dickinson, the Board agreed by unanimous vote to delegate the responsibility of commenting on the exposure draft for rules implementing the UAA, and of responding on behalf of the Board, to the Legislative/Regulatory Committee. The members voting "AYE" were Ms. Pocalyko, Mr. Rogers, Dr. Dickinson, Ms. Little, Mr. Holton and Dr. Broome.

Vice Chairman Rogers left the meeting at 2:15 p.m.

The Board recessed from 2:15 p.m. to 2:30 p.m.

Board Recess

The Board agreed to a schedule for its next two meetings in 2004: (1) Wednesday, June 9, 2004; and (2) Tuesday, August 3, 2004. The latter date is a change from the previously scheduled meeting on August 5, 2004.

E. Future Meetings

Chairman Pocalyko presented a slate of officers—Dr. Dickinson for Chairman, and Ms. Little for Vice Chairman—to serve a term from July 1, 2004 to June 30, 2005.

F. Election of Officers – Presentation of Slate – Barbara S. Pocalyko, CPA, Board Chairman

Upon a motion by Dr. Broome, and seconded by Mr. Holton, the Board approved by unanimous vote the slate of officers as presented. The members voting “**AYE**” were Ms. Pocalyko, Dr. Dickinson, Ms. Little, Mr. Holton, and Dr. Broome.

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

Conflict of Interest Forms

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

Travel Expense Vouchers

With no further business coming before the Board, upon a motion by Dr. Broome, and seconded by Ms. Little, the meeting was adjourned by unanimous vote at 3:04 p.m. The members voting “**AYE**” were Ms. Pocalyko, Dr. Dickinson, Ms. Little, Mr. Holton, and Dr. Broome.

Adjournment

APPROVED:

Barbara S. Pocalyko, CPA, Chairman

COPY TESTE:

Nancy Taylor Feldman, Executive Director