

**Board of Accountancy (BOA)**  
**Legislative/Regulatory Committee Meeting Report**

<b><u>Date and Location:</u></b>	<b><u>September 24, 2004 in the BOA Offices (Suite 378) at the 3600 West Broad Street Building, Richmond, VA 23230</u></b>
<b><u>Committee Members present:</u></b>	Steve Holton, CPA, and Dian Calderone, MTX, CPA
<b><u>Other Board Members present:</u></b>	Dr. Harry Dickinson, CPA, Board Chairman
<b><u>Board Staff present:</u></b>	Nancy Feldman, Mark D'Amato, and Howard Macrae, AAG
<b><u>Members of the Public present:</u></b>	Rich Pontynen, Erin Collins and Jim Brackens of the VSCPA
<b><u>Convened at:</u></b>	8:35 a.m. in the BOA Offices
<b><u>Call to Order:</u></b>	Mr. Holton
<b><u>Public Comments:</u></b>	No members of the public addressed the Committee.

**Agenda**

**Discussion of General Concepts and Areas in Board Regulations and Statutes:**

Mr. Holton and Dr. Dickinson reported on the meeting that they requested with Senator Walter Stosch. They discussed Emergency Regulation Package 2, which is pending review in the Governor's office. Senator Stosch contacted William Leighty, the Governor's Chief of Staff, to determine the status of this review. There seemed to be some confusion about the status.

Staff reported on the following items:

- Emergency Regulation Package 1 (as Proposed Package 1) is pending review at the Department of Planning and Budget (DPB).
- The repeal of the CPE Sponsor Registration Regulations has been filed as a Final Action with the Registrar of Regulations and will become effective on November 17, 2004.

Dr. Dickinson suggested the following three options for the pending Emergency Regulation Package 2:

- Take the necessary action to complete the review process, and make the regulations effective.
- Remove some provisions and move the remaining changes by the “Fast track” process.
- Withdraw the Emergency Regulation Package 2 and submit it through the process outlined in the Administrative Process Act (APA) as a Proposed Package.

He identified the following benefits resulting from the third option:

- Recent changes in the accounting profession could be considered.
- With the different composition of the Board, the new members would have an opportunity to review and understand the pending changes, and determine whether other changes are needed to protect the public.
- The public would have additional opportunities to review and make comments on the Board proposals. Dr. Dickinson advised the Committee members, who were not on the Board when the Emergency Regulations were prepared, that the Board held a short comment period when the public was allowed to submit their comments. The Board received over fifty comments, and made changes as a result. He stressed the importance of public comment to the process.
- Some changes needed to pending Emergency Regulation Package 2 could be made.

**Recommendation for Action:** The Committee recommended that the Board should consider withdrawing Emergency Regulation Package 2 to allow the inclusion of (1) changes and new ideas/concepts, and (2) additional public comment prior to finalizing the regulations.

Mr. Holton presented his approach to the development of regulations, emphasizing the importance of initial discussions about concepts. Ultimately, he noted, the Board will decide on a regulatory direction. Wordsmithing is a task performed after the Board decides on a conceptual framework about the requirements for a CPA license in the Commonwealth.

Mr. Holton began this development process by asking those present to identify conceptual ideas and issues to be addressed.

After a general discussion, Mr. Holton agreed to prepare a white paper about the ideas and issues identified by the group to submit to the Board for consideration. All agreed that this will not be a quick process as a thorough review and consideration must be given during each step of the process. The Committee members also agreed that at this time there is no urgent matter requiring immediate action.

Mr. Holton requested that a three-hour discussion period be held at the Board meeting on October 8, 2004.

**Issues submitted to Committee for Review:**

The Committee considered other agenda items, as follows:

- **ESOP** - Request for appropriate revisions of legislation/regulation to permit establishment of an Employee Stock Ownership Plan (ESOP).

The Committee members stated that the Uniform Accountancy Act (UAA) does not permit the establishment of an ESOP. Since the Board had agreed on a “uniformity” in the approach to regulating the profession, the requestor may wish to approach the National Association of State Boards of Accountancy (NASBA) to consider such a modification in the UAA. Also, the requestor may choose to request a change in the statute through the Virginia General Assembly. The Committee agreed that a high level of legal research would need to be conducted before such a change could be considered, and that this is not the role of the Board nor does it have the staff resources to do so.

- **Work for Non-Profit Organization or Pro-bono Work** - Requirement of CPAs providing accounting services to a non-profit organization or providing accounting services, pro-bono (uncompensated work performed for the public good) to register as CPA Firms.

The Committee pointed out that CPAs are not permitted to perform an audit or review with the giving of an assurance for a non-profit organization for which they serve as volunteers—the independence rules do not permit this. The work in question involves CPAs, either on their own or for their company, serving as volunteers for a non-profit organization or providing some accounting work, pro-bono. Registration as a CPA firm ensures that CPA firms providing certain services undergo peer review. The Committee was provided with the results of a NASBA Quick Poll with 37 licensing jurisdictions reporting. The Committee stated some concern regarding the matter of malpractice insurance and who is responsible for this type of work. The Committee recommended that the Board should discuss this matter.

- **PCAOB** – The Public Company Accounting Oversight Board (PCAOB) plans to release inspection reports on publicly held companies to state accountancy boards, but only if each board signs an agreement to maintain confidentiality of these reports. PCAOB pointed out that these reports would become public after one year from their issue date. Mr. Macrae informed the Committee that the Board might wish to request a legal advisory from the Attorney General’s office to determine if the Board may sign such an agreement. Virginia’s statutes are straightforward on closed complaint files and on specific documents that may be withheld upon a request from the public.

The Committee recommended that the Board discuss the purpose of these inspection reports to determine whether the Board would conduct any review or investigation based on these reports. Should the Board have an affirmative response, it may want to consider whether a request for legal advice is needed.

- **SCC** – A complaint, which has been forwarded to the Board and the State Corporation Commission (SCC), is currently being investigated by each agency. The Board requested information concerning the SCC’s investigation, but it refused to share this information.

The Committee recommended that the Board file the required documents to develop an agreement with the SCC so that both agencies can share investigative information. Such an agreement might require legislation.

- **Ethics CPE Outline for 2005** – Mr. Brackens of the VSCPA provided an unsolicited proposal for an Ethics CPE Outline for 2005 to the Committee for consideration. He indicated that it is essential for the Board to approve an outline at its October meeting, so CPE providers may begin preparing the Ethics CPE program for next year.

The Committee recommended that the Board consider the proposal for the Ethics CPE Outline for 2005 to determine if it can be approved as the Board’s outline for the upcoming year.

**Future Meetings:**

The Committee did not schedule any additional meeting dates at this time.

The Committee members signed Travel Expense Vouchers and the meeting was adjourned at 3:02 p.m.

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Stephen D. Holton, CPA  
Chairman, Legislative/Regulatory Committee  
Board of Accountancy

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Date