

THE VIRGINIA BOARD OF ACCOUNTANCY

MEETING MINUTES

The Virginia Board of Accountancy (Board) met on Wednesday, May 17, 2006, in The Franklin Room of the Richmond Marriott West, 4240 Dominion Boulevard, Glen Allen, Virginia 23060.

The following Board members present for the entire meeting were:

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

The Board staff members present for the entire meeting were:

Nancy Taylor Feldman, Executive Director
Mark D'Amato, Board Administrator
Patti Hambright, Exam/Licensing Coordinator

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

Jean Grant, Enforcement Manager/Investigator
Dreana L. Gilliam, Exam/Licensing Coordinator

Also in attendance for the entire meeting was:

Cynthia H. Norwood, Assistant Attorney General

In attendance for a portion of the meeting were:

James W. Brackens, Jr., CPA, Virginia Society of Certified Public Accountants
Erin Collins, Government Affairs Director, Virginia Society of Certified Public Accountants
Richard P. Pontynen, CPA, Virginia Society of Certified Public Accountants
Jan Slowinski, Accountants Society of Virginia, Inc.
George D. Strudgeon, CPA, Audit Director, Auditor of Public Accounts
Emily P. Walker, Regulatory Specialist, Virginia Society of Certified Public Accountants

Chairman Little called the meeting to order at 9:10 a.m.

Call to Order

Chairman Little introduced Cynthia H. Norwood, the new Board counsel from the Office of the Attorney General. The Board members welcomed Ms. Norwood.

**Introduction of New
Board Counsel –
Cynthia H.
Norwood, Assistant
Attorney General**

Chairman Little determined that a quorum was present.

**Determination of
Quorum**

The members reviewed the agenda and recommended several changes.

Approval of Agenda

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

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

Call to Order

Introduction of New Board Counsel

Cynthia H. Norwood, Assistant Attorney General

Determination of Quorum

Approval of Agenda

Public Comment Period

A. Approval of Minutes from January 9, 2006 Board meeting

B. Committee Reports:

1. Executive

Jane M. Little, CPA, Committee Chairman

a. Meetings:

(1) January 27, 2006

(2) February 3, 2006

b. Status of White Paper

c. Procedures for Ethics CPE Deficiencies

d. Status of Peer Review Audit

e. Education Symposium

2. Legislative/Regulatory

Stephen D. Holton, CPA, Committee Chairman

a. Legislation: ESOP – Regulatory Impact

b. Regulation:

(1) Final – CBT & Ethics CPE

(2) Fast-Track – CBT Fee Adjustment

(3) Public Participation Guidelines (PPG)
c. Proposed Legislation/Regulation: 2006-2007

C. Presentation of Board Audit by Auditor of Public Accounts
George D. Strudgeon, CPA, Audit Director

Recess for Board Lunch

Reconvene

B. Committee Reports (cont'd):

3. Enforcement

Lawrence D. Samuel, CPA, Committee Chairman

a. Cases:

- (1) Number 2005-E04 (Holm)
- (2) Number 2005-U04 (Shafi)

b. Meetings:

- (1) April 3, 2006
- (2) May 5, 2006

c. PCAOB Activities

4. Education/Examination

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

- a. NASBA Education Task Force Draft Framework
- b. Conceptual Approach to Education
- c. Status of CBT Administration
- d. AICPA Scoring Summary
- e. Comments about Diagnostic Report

5. Administrative/Personnel/Finance/Public Relations

Regina P. Brayboy, MPA, Committee Chairman

- a. Report on Evaluation Procedures
- b. Report on Volunteer Network
- c. NASBA Communications Committee Report

D. Personnel Matters – Executive Session

E. Future Meetings

- 1. NASBA Regional Meetings
- 2. Board Meeting: June 14, 2006

F. Election of Officers – Presentation of Slate

Jane M. Little, CPA, Chairman

Sign Conflict of Interests Forms

Complete Travel Expense Vouchers

Adjournment

Chairman Little asked for the members of the public attending the meeting to introduce themselves. Mr. Pontynen and Ms. Collins from the Virginia Society of Certified Public Accountants (VSCPA) introduced themselves. Ms. Slowinski from the Accountants Society of Virginia (ASVA) introduced herself.

Public Comment Period

Ms. Collins reminded the Board members about the VSCPA's leadership summit taking place over the next two days. She also presented a letter from the VSCPA requesting the Board to consider putting together enforcement guidelines that would be available to the public and to regulants.

The Board assigned the letter from the VSCPA to the Enforcement Committee for review and recommendation.

Chairman Little thanked Ms. Collins for her comments. With no further members of the public having comments, she moved to the next item of business.

Chairman Little asked if there was any objection to holding off approving the minutes from the Board meeting held on January 9, 2006. Hearing no objections, she proposed carrying over the minutes to the June meeting.

A. Approval of Minutes from January 9, 2006 Board meeting

The Board agreed to carry over the consideration and approval of the minutes for the January meeting to the June meeting.

Chairman Little reviewed the draft reports from the Executive Committee meetings held on January 27, 2006 and February 3, 2006. She recommended one revision to the February meeting report.

B. Committee Reports: **1. Executive – Jane M. Little, CPA, Committee Chairman**

Upon a motion by Mr. Dickerson, and seconded by Ms. Brayboy, the Board approved by unanimous vote the Executive Committee report from February as amended. The members voting "AYE" were Ms. Little, Mr. Holton, Dr. Broome, Ms. Brayboy, Ms. Calderone, Mr. Samuel and Mr. Dickerson.

a. Meetings: **(1) January 27, 2006** **(2) February 3, 2006**

Mr. Holton proposed to the members that a draft of the white paper

b. Status of White

would be brought to the Board at its June meeting for review and approval.

Paper

The Board assigned the Executive Committee to prepare a draft of the white paper for Board review and approval at the June meeting.

The members reviewed the staff draft of the Procedures for Ethics CPE Deficiencies.

c. Procedures for Ethics CPE Deficiencies

The Board assigned the procedures to the Enforcement Committee for review and for a recommendation.

The members reviewed the staff draft of the documents related to the peer review audit program.

d. Status of Peer Review Audit

Upon a motion by Mr. Holton, and seconded by Mr. Samuel, the Board moved to accept the draft documents subject to revisions for technical corrections. The members voting “**AYE**” were Ms. Little, Mr. Holton, Dr. Broome, Ms. Brayboy, Ms. Calderone, Mr. Samuel and Mr. Dickerson.

Chairman Little discussed the VSCPA’s upcoming education symposium in June. She noted her preference for a Board member to be available to speak to attendees during a half hour period on June 8th about the role of the Board.

e. Education Symposium

Mr. Holton volunteered to speak at the education symposium.

Mr. Holton discussed the legislation sponsored by Senator Walter Stosch, which had been signed by the Governor, and would become effective on July 1, 2006.

2. Legislative/Regulatory – Stephen D. Holton, CPA, Committee Chairman

The Board assigned the Legislative/Regulatory Committee to review the legislation about employee stock ownership plans (ESOP) and present any recommendations to the Board at its June meeting.

a. Legislation: ESOP – Regulatory Impact

The Board requested the staff to prepare a timeline to implement the ESOP-related regulations.

Mr. Holton next discussed two pending regulation packages: (1) the final regulations about the computer-based CPA exam (CBT) and the annual course for continuing professional education (CPE) credits in ethics; and (2) the fast-track regulations about the CBT fee adjustment for the Board’s administration of the CBT. He noted that both packages were in the Governor’s office being reviewed. Mr.

b. Regulation: (1) Final – CBT & Ethics CPE (2) Fast-Track – CBT Fee Adjustment

D'Amato noted that he had received word from the Governor's office that the packages should be approved by the end of the month.

Mr. Holton reviewed the process for regulations to be periodically reviewed by state agencies. The Board's public participation guidelines (PPG) regulations were due for such a review.

(3) Public Participation Guidelines (PPG)

The Board assigned the Legislative/Regulatory Committee to review the PPG regulation and report any recommendations to the Board at its June meeting.

Mr. Holton concluded with a discussion about proposed legislation and regulations for the 2006 to 2007 period.

c. Proposed Legislation/Regulation: 2006-2007

The Board assigned the Legislative/Regulatory Committee to review current statutes and regulations and report any recommended changes to the Board at its June meeting.

Since the meeting was ahead of schedule, and Mr. Strudgeon had not arrived, the Board agreed to move forward with the report of the Education/Examination Committee.

4. Education/ Examination – O. Whitfield Broome, Ph.D., CPA, Committee Chairman
a. NASBA Education Task Force Draft Framework

Dr. Broome reviewed how NASBA's education committee had produced very detailed recommendations to change the Uniform Accountancy Act (UAA) with regard to the educational requirements to take the CPA examination. As a result of the reaction to these recommendations, a NASBA task force had put together options for state boards to consider.

After Board discussion, the members agreed to carry on the dialogue about this matter when they attend the regional NASBA meetings.

Dr. Broome next led a discussion about the conceptual approach to education requirements. Due to the number of considerations involved in formulating such an approach, Dr. Broome suggested that this matter be put on hold for now until further discussion had taken place about how the Board may want this approach to be administered.

b. Conceptual Approach to Education

The members discussed the status of the CBT administration with Ms. Feldman.

c. Status of CBT Administration

Dr. Broome next led a discussion about a letter sent to state board chairs and executive directors from the American Institute of Certified

d. AICPA Scoring Summary

Public Accountants (AICPA). The letter explained about the scoring errors discovered in two testing windows in 2005, and the corrective actions taken to prevent these errors from occurring in the future. It also noted that exams impacted by these errors were re-graded by hand; in some cases, the exam grades were changed.

The Board recessed from 10:35 a.m. to 10:55 a.m.

The Board received the audit report by the Auditor of Public Accounts (APA) from Mr. Strudgeon. He summarized the report's findings: (1) the Board's financial statements were presented fairly, in all material respects; (2) no internal control matters were considered material weaknesses; and (3) no instances of noncompliance or other matters required to be reported under Government Auditing Standards were found.

Upon a motion by Mr. Dickerson, and seconded by Dr. Broome, the Board moved to receive the audit report subject to corrections. The members voting "AYE" were Ms. Little, Mr. Holton, Dr. Broome, Ms. Brayboy, Ms. Calderone, Mr. Samuel and Mr. Dickerson.

The Board agreed to move on with the report of the Enforcement Committee.

Mr. Samuel reviewed the draft reports from the Enforcement Committee meetings held on April 3, 2006 and May 5, 2006.

Mr. Samuel reviewed some recent information he received about the activities of the Public Company Accounting Oversight Board (PCAOB).

The Board agreed to move on with the report of the Administrative/Personnel/Finance/Public Relations Committee.

Ms. Brayboy discussed the initial steps taken by the committee to identify evaluation procedures for the Board. She said that more research needs to be done about current practices, and that the committee would report back to the Board at its June meeting.

Board Recess

C. Presentation of Board Audit by Auditor of Public Accounts – George D. Strudgeon, CPA, Audit Director

B. Committee Reports (cont'd): **3. Enforcement –**

Lawrence D. Samuel, CPA, Committee Chairman

b. Meetings:

(1) April 3, 2006

(2) May 5, 2006

c. PCAOB Activities

5. Administrative/Personnel/Finance/Public Relations – Regina P. Brayboy, MPA, Committee Chairman

**a. Report on
Evaluation
Procedures**

Ms. Brayboy spoke about the committee's meeting with Ms. Collins and Tina Lambert at the VSCPA offices. They discussed various means to reach out to the Board's regulants and the general public about the Board. One example was that any outreach could be linked to key events in targeted communities throughout the state during the year. She concluded that a strategy would be developed and presented to the Board for review and approval.

**b. Report on
Volunteer Network**

Ms. Brayboy concluded with a discussion about the April meeting of the NASBA Communications Committee, which she attended as a committee member.

**c. NASBA
Communications
Committee Report**

She also requested Board members to let the committee know if they should participate in any outreach programs.

The Board recessed from 12:00 p.m. to 1:00 p.m. for lunch.

Lunch

Mr. Samuel and Ms. Calderone stated that they would recuse themselves from any action on these enforcement cases due to their involvement in the Informal Fact-Finding Conferences (IFFs).

**B. Committee
Reports (cont'd):
3. Enforcement –
Lawrence D.
Samuel, CPA,
Committee
Chairman**

The members' task, Ms. Little stated, would be to review the recommended findings of fact, conclusions of law, and actions contained in the Presiding Officer's Report for each IFF. They must adopt, reject or modify any findings of fact, conclusions of law, and appropriate actions, contained therein.

**a. Cases:
(1) Number 2005-
E04 (Holm)**

Ms. Grant reviewed the contents of the IFF report for the members.

In the matter of **File Number 2005-E04 (Holm)**, the Board reviewed the IFF Report with the recommendations of the Presiding Officer, which included its findings of fact, conclusions of law and actions. Mr. Holm was not present, nor was his attorney present to represent him.

Upon a motion by Mr. Holton, and seconded by Ms. Brayboy, the Board by majority vote approved (1) the IFF Report's findings of fact whereby: (Count 1) Holm had not applied for registration as a convicted sex offender on the State Police Registry at the time of

submitting his application to the Board for licensure; (2) the IFF Report's conclusions of law whereby: (Count 1) Holm's action may constitute a violation of Sections **54.1-4409.A** and **54.1-4419** of the *Code of Virginia*; and (3) the IFF Report's action whereby: (Count 1) Holm may be granted a license to practice in the Commonwealth upon the submission of verification of registry on the State Police Sex Offenders Registry. The members voting "AYE" were Ms. Little, Mr. Holton, Dr. Broome, and Ms. Brayboy. The member voting "NAY" was Mr. Dickerson. Mr. Samuel and Ms. Calderone were not present and did not participate in the discussion or vote.

Ms. Grant reviewed the contents of the IFF report for the members.

(2) Number 2005-U04 (Shafi)

In the matter of **File Number 2005-U04 (Shafi)**, the Board reviewed the IFF Report with the recommendations of the Presiding Officer, which included its findings of fact, conclusions of law and actions. Mr. Shafi was not present, nor was his attorney present to represent him.

Upon a motion by Dr. Broome, and seconded by Mr. Dickerson, the Board by majority vote approved (1) the IFF Report's findings of fact whereby: (Count 1) Shafi used the CPA designation in providing services to the public without a valid Virginia CPA license; (2) the IFF Report's conclusions of law whereby: (Count 1) Shafi's action constitutes a violation of Sections **54.1-4413.1** and **54.1-4414** of the *Code of Virginia*; and (3) the amended IFF Report's action whereby: (Count 1) (i) Shafi may be granted a license to practice in the Commonwealth upon the satisfactory completion and submission of not less than 40 hours of CPE training in audit, compilation and review, which cannot be self-study classes; (ii) Shafi shall not practice as a CPA in the Commonwealth until the Virginia Board of Accountancy has granted a license to Shafi to practice as a CPA; and (iii) at such date as the Virginia Board of Accountancy may grant the CPA license to Shafi, he shall engage a Virginia licensed CPA approved by the Board to assist in any and all phases of planning, supervision, and review of any audits performed by Shafi until released by the Board, and the Virginia licensed CPA shall provide a report to the Board within 30 days of completion of any audits performed; (iv) Shafi shall submit to the Board, a written report summarizing sections of the Board regulations that encompass CPE, registration of a firm, and standards of conduct as they relate to his practice within 90 days following the issuance of the CPA license in Virginia; and (v) Shafi shall pay a monetary penalty of \$2,000 within 90 days of the entry date of the licensing agreement. The members voting "AYE" were Ms. Little, Mr. Holton, Dr. Broome, Ms.

Brayboy, and Mr. Dickerson. Mr. Samuel and Ms. Calderone were not present and did not participate in the discussion or vote.

Chairman Little moved this item up in the agenda.

The members reviewed the upcoming NASBA regional meetings, and the NASBA annual meeting to be held in Atlanta, Georgia from October 29, 2006 to November 1, 2006.

The members then requested an estimate of the costs for the NASBA annual meeting from Board staff.

The Board next discussed the creation of a verification of licensure card including essential information such as expiration dates that could be sent to regulants. The Board requested designs for this card from staff to be presented as the June meeting.

The members then confirmed the date and time of the next Board meeting: (1) Wednesday, June 14, 2006, to begin at 10:00 a.m., instead of 9:00 a.m., as previously agreed. It is to take place in the fourth floor conference room at the Department of Professional and Occupational Regulation (DPOR)

Chairman Little moved this item up in the agenda.

Chairman Little presented a slate of officers—Mr. Holton for Chairman, and Mr. Samuel for Vice Chairman—to serve a term from July 1, 2006 to June 30, 2007.

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

Chairman Little requested that the members go into executive session in order to discuss personnel matters.

Upon a motion by Ms. Calderone, and seconded by Ms. Brayboy, the

E. Future Meetings:
1. NASBA Regional Meetings

F. Election of Officers – Presentation of Slate – Jane M. Little, CPA, Chairman

D. Personnel Matters – Executive Session

Begin Closed

Board approved by unanimous vote that the meeting be recessed and that the Board immediately reconvene in closed meeting for the purpose of consultation and/or briefings by staff members pertaining to personnel matters within the jurisdiction of the Board as permitted by § 2.2-3711.A.1 of the *Code of Virginia*. The following non-member will be in attendance to reasonably aid the consideration of the topic: **Ms. Norwood**. The members voting “**AYE**” were Ms. Little, Mr. Holton, Dr. Broome, Ms. Brayboy, Ms. Calderone, Mr. Samuel, and Mr. Dickerson.

Meeting

This motion is made with respect to the matter identified as agenda item: **D. Personnel Matters – Executive Session**.

Upon a motion by Ms. Calderone, and seconded by Ms. Brayboy, the Board approved by unanimous vote that the closed meeting, as authorized by § 2.2-3711.A.1 of the *Code of Virginia*, be adjourned and that the Board immediately reconvene in open public meeting. The members voting “**AYE**” were Ms. Little, Mr. Holton, Dr. Broome, Ms. Brayboy, Ms. Calderone, Mr. Samuel, and Mr. Dickerson.

End Closed Meeting

Upon a motion by Ms. Calderone, and seconded by Ms. Brayboy, the Board made the following certification:

WHEREAS, the Board of Accountancy has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, § 2.2-3712.A of the *Code of Virginia* requires a certification by this Board of Accountancy that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Board of Accountancy hereby certifies that, to the best of each member’s knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board of Accountancy.

CALL FOR VOTE:

Jane M. Little, CPA – Aye
Stephen D. Holton, CPA – Aye
O. Whitfield Broome, Ph.D., CPA – Aye
Regina P. Brayboy, MPA – Aye
Dian T. Calderone, MTX, CPA – Aye
Lawrence D. Samuel, CPA – Aye
Tyrone E. Dickerson, CPA – Aye

VOTE

AYES: Seven (7)

NAYS: None.

ABSENT DURING VOTE: None.

ABSENT DURING MEETING: None.

Chairman Little noted that no action was going to be taken at this time on personnel matters.

**D. Personnel
Matters – Executive
Session (cont'd)**

Chairman Little asked the members to complete and sign their conflict of interests forms.

**Conflict of
Interests Forms**

Chairman Little asked the members to complete and sign 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. Calderone, the meeting was adjourned by unanimous vote at 3:20 p.m. The members voting “**AYE**” were Ms. Little, Mr. Holton, Dr. Broome, Ms. Brayboy, Ms. Calderone, Mr. Samuel and Mr. Dickerson.

Adjournment

APPROVED:

Stephen D. Holton, CPA, Chairman

COPY TESTE:

Nancy Taylor Feldman, Executive Director