

Connecticut State Board of Accountancy
November 7, 2006
Minutes

Chairman Reynolds called the meeting to order at 8:32 A.M. in the second floor conference room, 30 Trinity Street, Hartford.

Present:

Thomas F. Reynolds, CPA, Chairman
Richard P. Bond
James Ciarcia (arrived late)
Richard Gesseck, CPA
Leonard M. Romaniello, Jr., CPA
Michael Weinschel, CPA

Staff Members Present:

David L. Guay, Executive Director
Rebecca E. Adams, Esquire, Board Counsel

Absent:

Richard Sturdevant
Philip J. DeCaprio Jr., CPA

Motion made by Richard Bond to accept and approve the Minutes of the October 10, 2006 State Board of Accountancy meeting as corrected, seconded by Michael Weinschel.

Voting in favor:

Thomas Reynolds
Richard Bond
Richard Gesseck
Leonard Romaniello
Michael Weinschel

No abstentions and no votes against.

In a review of Board operations Executive Director Guay briefed the Board on the operations of the Board by providing a written summary. Executive Director Guay noted that the focus of the next two months would be renewals.

November 7, 2006 Executive Director's Operations Update and Review

Licensing Database

- Waiting for application modifications to test – continue to work with Jamie Gamble

- Officially requested Credit Card Authority – In approval process
- Will be attending a Department of Information Technology E-Government meeting on November 17, 2006

2007 Renewal & 2006 CPE Reporting

- Renewal Forms created and printed week of October 30, 2006
- Expect to Mail renewal forms by November 13, 2006 or earlier – 7 weeks prior to renewal deadline
- 8925 total renewals to process
 - o 4811 Individual licenses
 - o 2395 Registered Certificates
 - o 1719 Firms

Certificate award event

- November 13, 2006 – Seven positive responses so far

New CPA Certificate

- Project complete – November Certificates will be first with new Certificate with Governors signature

Regulations

- Removal of Exam Fee Regulation - constituent support letters received.
- Review of Experience Regulation at July, August and September meetings, and last portion to be discussed hopefully at the November meeting.

Web site update

- David & Denise attended training on October 18, 2006
- Other priorities have superseded this effort

New Position

- Formally requested establishment of the position in September
- On October 4, 2006 resubmitted at Department of Administrative Services suggested position grade of Office Assistant (job description attached)
- Current status - waiting for OPM Budget Division approval

Board's Budget

- Budget options submission required –

Peer Review

- Major project this summer is the review and updating of each active firm's peer review information in preparation for renewal and enforcement if appropriate.
- Review completed and correspondence to firms mailed and returns processed and high volume of phone calls and email generated by the mailing handled

Meeting of Northeast States

- Successfully held on Oct 10, 2006 in Hartford

Motion made by Michael Weinschel and seconded by Leonard Romaniello to approve the November 7, 2006 list of individual applications for CPA Certificate,

Registrations and CPA Licenses, including the application of Thomas W. Grottke if the proposed settlement is accepted.

Voting in favor:

Thomas Reynolds
Richard Bond
Richard Gesseck
Leonard Romaniello
Michael Weinschel

No abstentions and no votes against.

Motion made by Leonard Romaniello and seconded by Richard Bond to approve the November 7, 2006 list of Firm Permit to Practice applications.

Voting in favor:

Thomas Reynolds
Richard Bond
Richard Gesseck
Leonard Romaniello
Michael Weinschel

No abstentions and no votes against.

Chairman Reynolds noted that the agenda continues to lists inspection reports received from the Public Companies Accounting Oversight Board (PCAOB) and are available for Board member inspection and review. Chairman Reynolds further noted that he had reviewed several reports this morning.

Chairman Reynolds noted that the agenda continues to list Test center Problem Reports. Board members reviewed the report covering the period of September 1, 2006 through November 6, 2006.

The review of the report produced a discussion about the October 10, 2006 NASBA Regional Forum which was held in Hartford, which concluded with a request that Rick Isserman, CPA-NY as the NASBA Northeast Regional Director raise two issues and the Connecticut proposed solutions to NASBA's leadership. The two issues and solutions are changing when the exam is available to include the months of January and June and changing the conditional passing window from eighteen to twenty-four months. The Board by consensus directed the Executive Director to draft a letter from Chairman Reynolds to Rick Isserman seeking an update on the request made at the October 10, 2006 NASBA Regional Forum for NASBA to take up these issues and proposed solutions.

ENFORCEMENT DOCKET

A. REQUESTING SETTLEMENT APPROVAL

Thomas Grottke 2006042-2942 – Unlicensed Practice

Mr. Grottke's reinstatement application is on the Board's list for today (November 7, 2006). When Mr. Grottke submitted an application for reinstatement of his CPA license this October 2006, it became apparent that he had failed to renew in 2003, 2004, 2005. He did keep up with and submit CPE during that time. He thought that the firm was submitting the renewal. He did not perform any audit or attest work but, based upon counsel's discussion about the manner in which he used the title CPA during that time, he was holding out as a CPA, and, therefore, required to renew.

Attorney Adams recommended reinstatement concurrent with settlement approval for \$1350 (back licensing fees), \$450 licensure fee for 2006 reinstatement, and an additional \$500 in civil penalties.

Motion made by Michael Weinschel, and seconded by Richard Gesseck to approve the settlement in the matter of Thomas Grottke 2006042-2942.

Voting in favor:

Thomas Reynolds
Richard Bond
Richard Gesseck
Leonard Romaniello
Michael Weinschel

No Abstentions and no votes against.

Jennifer Katrulya 2006022-2919B - Unlicensed Firm Practice

Ms. Katrulya holds a firm permit under the name Jennifer Katrulya, CPA. She has also been operating a business called Business Resources Management Group, LLC since 2004 and was not aware that she also needed to hold a firm permit to hold out as a CPA member of that business. The Board granted her application for a firm permit under that name.

Attorney Adams recommended settlement approval for civil penalty of \$150.

Motion made by Richard Gesseck, and seconded by Leonard Romaniello to approve the settlement in the matter of Jennifer Katrulya 2006022-2919B.

Voting in favor:

Richard Bond
Richard Gesseck
Leonard Romaniello
Michael Weinschel

Abstentions:

Thomas Reynolds

No votes against.

Albert Weinstein (PA) 2006040-2940 – Unlicensed Firm Practice

Mr. Weinstein failed to renew his firm permit (for a sole proprietor) in 2003 and failed to reinstate it until 2005, which is when, according to him, he discovered his error. Even though this case was opened in October of 2004, no correspondence was ever sent to the licensee regarding the enforcement case until I wrote to him this year. He discovered the error on his own and applied for and was granted reinstatement of his firm permit on January 1, 2005.

Attorney Adams recommended settlement approval for civil penalty of \$150 (which has already been submitted).

Motion made by Richard Gesseck, and seconded by Leonard Romaniello to approve the settlement in the matter of Albert Weinstein, PA 2006040-2940.

Voting in favor:

Thomas Reynolds
Richard Bond
Richard Gesseck
Leonard Romaniello
Michael Weinschel

No Abstentions and no votes against.

B. RECOMMENDING AND REQUESTING DISMISSAL

Timothy Corlett (NON CPA) 2006035-2935 -Unauthorized Practice through advertising

Mr. Corlett did not solicit any of the listings or ask to be listed as a CPA. He had the improper website listings of the Granby Chamber of Commerce and one of its affiliates, corrected as soon as counsel notified him of the problem. The Chamber of Commerce also printed a phone book of members listing him as a CPA. That cannot be removed until the 2007 book is published. These were all publications of private organizations. Investigation shows no yellow book or phone book listings of any kind as a CPA. He has maintained the same client list for 20 years. He performs bookkeeping and payroll services only and has not profited from the inadvertent listings. Documentation provided at the compliance meeting supports all of the respondent's responses to the allegations.

Attorney Adams recommended dismissal – no violation found/no probable cause.

Motion made by Richard Gesseck, and seconded by Michael Weinschel to dismiss the matter of Timothy Corlett, 2006035-2935 for no violation found, no probable cause.

Voting in favor:

Thomas Reynolds
Richard Bond
Richard Gesseck
Leonard Romaniello
Michael Weinschel

No Abstentions and no votes against.

Richard Fazzuoli – 2006020-2918 – Negligence/failure to return records

The complainant, Security Uniforms, alleged that the respondent had billed for over \$20,000 for services that were never performed and that he had failed to return the company's records when requested. At the compliance meeting, counsel and the respondent went over the services performed for the complainant and the corresponding billing invoices, in detail. All of the services requested and engaged were performed in a timely fashion. In addition, all of the records and necessary information had already been provided to the complainant's new CPA, which is why he was able to put their affairs in order immediately upon receipt of the file.

Attorney Adams recommended dismissal – no violation found/no probable cause

Motion made by Richard Gesseck, and seconded by Michael Weinschel to dismiss the matter of Richard Fazzuoli, 2006020-2918 for no violation found, no probable cause.

Voting in favor:

Thomas Reynolds
Richard Bond
Richard Gesseck
Michael Weinschel

Abstentions: Leonard Romaniello

No votes against.

Jennifer Katrulya 2006022-2919 – Failure to provide services/failure to return records

The complainant, All Tech Trucking, alleged that the respondent had billed for payroll and other Quickbooks related services that were never performed and that she had failed to return records and a retainer when requested. Counsel and the respondent went over the documentation of the services performed for the complainant, the corresponding billing invoices, and copies of all of the documents provided to the complainant in detail. All of the services requested and engaged were performed in a timely fashion. In addition, all of the records and documents requested by the client were sent to him twice. The retainer was properly in a client's fund account pending the outcome of their billing dispute.

Attorney Adams recommended dismissal – no violation/ no probable cause

Motion made by Richard Gesseck, and seconded by Michael Weinschel to dismiss the matter of Jennifer Katrulya 2006022-2919 for no violation found, no probable cause.

Voting in favor:

Richard Bond
Richard Gesseck
Leonard Romaniello
Michael Weinschel

Abstentions:

Thomas Reynolds

No votes against.

Russell Hintz 2004017-2538 – Suspension of the Right to Practice by the SEC

The respondent was not suspended by the SEC. He entered a consent agreement under the terms of which he made no admissions and consented solely to be permanently enjoined from violating the Securities Act and the Exchange Act without any other penalty. This does not fall within the list of acts by a federal agency for which the Board may automatically discipline a licensee.

Mr. Hintz's 2005 compliance meeting was cancelled due to his inability to attend for health reasons. Counsel spoke to respondent's wife regarding the state of his health. He is not ambulatory. He is in dialysis and on a breathing machine several times per week. He is not licensed and does not practice. *Attorney Adams recommended dismissal – lack of jurisdiction.*

Motion made by Richard Gesseck, and seconded by Michael Weinschel to dismiss the matter of of Russell Hintz, 2004017-2538 for lack of jurisdiction.

Voting in favor:

Thomas Reynolds
Richard Bond
Richard Gesseck
Leonard Romaniello
Michael Weinschel

No Abstentions and no votes against.

Ronald Walsh 2006010-2899 - Negligence/failure to return client records

Mr. Walsh served as the CPA for a company called the Pepper Pot, LLC as well as for one of the partners of the business and her family. One partner bought the other partner's share of the business. The attorney for the buyer did not like the manner in which Mr. Walsh allocated ownership of the company for tax purposes in the final year of joint ownership and filed a complaint. Mr. Walsh had not retained any of the records of the business. The purchasing partner has them all and was given full access to his files. Mr. Walsh stated that he had reported ownership differently than in previous years due to the change in ownership proportions and that either the way he reported it or the way the attorney would like it done would be allowable. The change had no adverse impact on the purchasing partner and he offered to file an amended return. The purchasing partner recently sent him a letter thanking him for all of his help in the transition from joint ownership to sole proprietorship.

Attorney Adams recommended dismissal - insufficient evidence of violation to find probable cause

Motion made by Richard Gesseck, and seconded by Michael Weinschel to dismiss the matter of Ronald Walsh 2006010-2899 for insufficient evidence of violation to find probable cause.

Voting in favor:

Thomas Reynolds
Richard Bond
Richard Gesseck
Michael Weinschel

Abstentions: Leonard Romaniello

No votes against.

C. STATUS REPORTS

KPMG, LLC. 2006024-2922 (Tax Shelter Case)- Conviction of a felony or misdemeanor based upon fraud or dishonesty

Compliance meeting is scheduled for November 15, 2006. Counsel has not identified any Connecticut licensees among the individuals who have plead guilty, been indicted, or been convicted in the case.

Attorney Adams sought Board input for potential settlement negotiations

Chairman Reynolds turned to Executive Director Guay for opening comments on the agenda item concerning the Experience Regulations. Executive Director Guay reviewed the package of material he had provided which included a cover memo which outlined the important questions to be answered in order to revise the sections of the experience regulations which describe what is acceptable experience.

- Can experience be gathered in both public accounting and in a non-public accounting environment?
- Should a minimum amount of time in public accounting be auditing? If yes, how will auditing be defined?
- If allowed, how should non-public experience be defined?

Executive Director Guay further indicated that the prepared package also included an email from Pete Niedermeyer of Blum Shapiro for an example of how the current definition of audit work in a public accounting firm could be interpreted differently and a letter describing the non-public experience of Dominic Reis a candidate for certification. Both examples are also before the Board for review and response for acceptability. The package also included a reference to the CSCPA Regulation Analysis document and a copy of the Uniform Accountancy Act section on experience.

Discussion focused on the broad concept of what the Board would like for experience rather than focus on current or possible language. The Board by consensus decided to have each member come to the next meeting with their description of what should be the relevant experience, at which time discussion would continue.

The Board also directed Executive Director Guay to communicate to Mr. Niedermeyer that the original interpretation of what is audit experience in public accounting remains unchanged and to ask Mr. Reis and his employer to provide further disclosure and detail of the work experience, such as time spent in each area.

Chairman Reynolds noted that the next agenda item, a review of the NASBA Northeast Communication Forum had already been reviewed and discussed under the previous agenda item about the test center reports. Chairman Reynolds further noted that it was a good meeting and another one should be held sooner rather than later.

The next agenda item; a discussion about the recent NASBA Annual meeting was discussed under previous agenda items with Chairman Reynolds asking for further comments. Jim Ciarcia, Michael Weinshel and Richard Gesseck discussed the meeting briefly.

Chairman Reynolds directed the assembled members attention to the various information items included in the meeting binders.

Under public comment Arthur Renner, Executive Director of the Connecticut Society of CPA's commented along with Alan Clavette, President of the Connecticut Society of CPA's and Professor Andrew Rosman provided public comment.

A motion to adjourn the meeting was moved by Richard Gesseck and seconded by Richard Bond, all voted in favor. The meeting was adjourned at 10:29 A.M.