

Connecticut State Board of Accountancy  
October 3, 2006  
Minutes

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

Present:

Thomas F. Reynolds, CPA, Chairman  
James Ciarcia  
Philip J. DeCaprio Jr., CPA  
Richard Gesseck, CPA  
Leonard M. Romaniello, Jr., CPA  
Richard Sturdevant  
Michael Weinschel, CPA

Staff Members Present:

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

Absent:

Richard P. Bond

Motion made by Philip DeCaprio to accept and approve the Minutes of the September 5, 2006 State Board of Accountancy meeting, seconded by James Ciarcia.

Voting in favor:

Thomas Reynolds  
James Ciarcia  
Philip DeCaprio  
Richard Sturdevant  
Michael Weinschel

Abstentions:

Leonard Romaniello

Absent from the Meeting at that time and not voting:

Richard Gesseck

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 and the regulation drafting and submittal process.

### **October 3, 2006 Executive Director's Operations Update and Review**

#### **Licensing Database**

- Waiting for application modifications to test
- Officially requested Credit Card Authority – No response yet
- Preparing for renewal of Licenses by both methods, on-line and by mail

#### **Certificate award event**

- November 13, 2006 – only three positive responses so far

#### **New CPA Certificate**

- Placed order with OPM purchasing department
- Expect a October 31, 2006 delivery

#### **Regulations**

- Removal of Exam Fee Regulation - Formal submission package prepared and sent to Attorney General and Government Administration and Elections & General Law Committee Chairs, letter seeking constituent support created.
- Review of Experience Regulation at July, August and September meetings, and last portion to be discussed hopefully at the November meeting.

#### **CPA Exam Services agreement**

- Continues to be on Attorney Adams agenda

#### **Web site update**

- Staff training rescheduled for October 18, 2006
- PDF Software installed by DOIT on 9/28/06

#### **New Position**

- Have formally requested establishment of the position

#### **Board's Budget**

- New OPM Analyst, have had initial meeting with her
- Budget options submission required – Information on this requirement is in your binder

#### **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 prepared and being mailed

#### **Meeting of Northeast States**

- Oct 10, 2006 in Hartford

#### **NASBA Annual meeting**

- Scheduled for October 29 – November 1, 2006 in Atlanta
- Who will be attending?

### **Housekeeping**

- Proximity card security system in office activated
- Two weeks of computer problems solved on 9/28/06

The Board reviewed the June 2007 proposed meeting date and adjusted the June 2007 meeting date to Tuesday, May 29, 2007, and the Board directed that it be scheduled as a retreat or planning meeting.

Motion made by Philip DeCaprio and seconded by James Ciarcia to approve the October 3, 2006 list of individual applications for CPA Certificate, Registrations and CPA Licenses, all voted in favor.

Motion made by Philip DeCaprio and seconded by James Ciarcia to approve the October 3, 2006 list of Firm Permit to Practice applications, all voted in favor.

The Board reviewed the Peer Review Robert L. Nuzum, CPA which had been tabled by consensus at the September 5, 2006 meeting. Philip DeCaprio made a motion that the Board acting in its capacity as the qualified oversight body under Section 20-281(b) C.G.S. accept the Peer Review of Robert L. Nuzum, Michael Weinshel seconded the motion, all voted in favor.

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 noted that the agenda continues to list Test center Problem Reports, but with September being a non-testing month no new report has been generated since the last meeting in September.

The Board received a presentation of the Connecticut Society of Certified Public Accountants (CSCPA) Statute and Regulation Analysis by Conrad Kappel former Chair of the CSCPA Ethics Committee and Peter Tracey current Chair of the CSCPA Ethics Committee. The two recommendations made include urging the Board to adopt the AICPA code of conduct in its entirety and when differences exist that they be identified and noted for the practitioners. Chairman Reynolds and the Board expressed gratitude to the Society and the Ethics Committee for undertaking the task.

Michael Weinshel suggested that the Board keep this item on the agenda and at each meeting the Board should review specific sections or group of sections to determine whether a change is necessary based upon the analysis provided by the CSCPA effort and document. Mr. Weinshel also noted that he expects NASBA to produce its own code of conduct within a few months for Boards to consider.

Chairman Reynolds raised the next item on the agenda, a discussion of substantial equivalency. Executive Director Guay noted that three pieces of

information on the subject were provided to the members in their binders. Executive Director Guay suggested the Board break the concept down into its three components; a temporary practice permit, a model for reciprocity and enforcement. After discussion, the Board by consensus agreed place the subject on an agenda in the near future for further discussion.

The Board next heard from UCONN Professor Rosman explaining his analysis of the study by Arthur Allen and Angela M. Woodland, published in the August 2006 Issues in Accounting Education titled, The 150-Hour Requirement and the Number of CPA Exam Candidates, Pass Rates and the Number Passing.

According to the study's abstract: This Study examines the association of the 150-hour education requirement with the number of CPA exam candidates, pass rates, and the number passing. Proponents of the 150-hour requirement argue that additional education produces higher quality students who are better prepared for the CPA exam and accounting careers. Opponents argue it imposes opportunity costs on students and costly barriers to entry into public accounting. On average we find a large drop (36 percent) in the number of candidates in each state taking each exam, a small increase in pass rates for first-time candidates only (3 percent), and a large drop (31.5 percent) in the number passing the CPA exam after the 150-hour requirement. Our results may be useful to accounting educators evaluating the success of their 150-hour requirements, and public accounting firms setting strategies to achieve audit quality.

According to Professor Rosman in his written submission.

### Conclusions

By extending the analysis done by Allen and Woodland (2006) to distinguish 120/150-hour jurisdictions from 150-hour jurisdictions and by examining length of time subsequent to the change in education requirement, I find results consistent with sever other studies (e.g., Taylor Research, 2000; Schroeder and Franz, 2004), which were not cited by Allen and Woodland (2006).

In sum, the 150-hour education requirement is not associated with a decline in CPA exam candidacy but is related to an increase in performance. Evidence is provided that the flexibility of providing candidates with an option to take the exam after 120 hours of education, when they are less prepared than if they had 150 hours, may negatively affect performance.

By consensus the Board approved the draft response to NASBA's Education Committee Questionnaire.

## ENFORCEMENT DOCKET

### A. REQUESTING SETTLEMENT APPROVAL

#### **2006 CPE Enforcement**

All of the following licensees have signed settlement agreements and submitted CPE in compliance with the terms of those settlements along with payment of a civil penalty.

1. CPE January Grasso
2. CPE Susan Ebersole
3. CPE William Ebersole
4. CPE James Austin
5. CPE James Flynn
6. CPE Douglas Cornwell

*Executive Director Guay asked the Board for settlement approval.*

*Motion made by Richard Sturdevant seconded by Philip DeCaprio to accept the settlements in the CPE compliance cases of:*

- 1. January Grasso*
- 2. Susan Ebersole*
- 3. William Ebersole*
- 4. James Austin*
- 5. James Flynn*
- 6. Douglas Cornwell*

*All voted in favor.*

### B. LICENSEE SEEKING REINSTATEMENT OF CERTIFICATE

**\*\*Respondent will appeared at the October 3, 2006 meeting\*\***

*Mr. Gesseck recused himself and left the meeting room.*

#### **Kevin Kearney 21005-682**

Mr. Kearney's attorney wrote on his behalf requesting reinstatement after demonstrating compliance with a 2002 settlement mandating revocation/suspension of his Certificate. His eligibility commenced, under the terms of the settlement, on April 2005 and he has provided copies of the certification of the passing grade over 90% on the AICPA ethics examination.

*Attorney Adams Recommend reinstatement of Certificate OR hearing to determine eligibility for reinstatement.*

*Motion made by Philip DeCaprio and seconded by Leonard Romaniello to reinstate the CPA Certificate of Kevin Kearney. All voted in favor, except for Mr. Gesseck, who recused himself and left the room..*

### **C. REQUESTING AUTHORITY TO SCHEDULE AND NOTICE COMPLIANCE MEETING**

**Mordecai Lerer 2006030-2930** Failure to meet CPE deadline - Denial of CPE Extension Request. Mr. Lerer was offered the opportunity to settle his CPE compliance matter. However, his response was to argue with staff that he should not have to settle or comply because he also holds a New York license and New York is on a different CPE schedule. He wants Connecticut to reschedule his CPE to mirror the requirements in New York. Counsel explained that he had failed to comply with the regulations and must either settle under the terms offered (a 60-90 day extension and payment of \$100) or the case would become an active enforcement file. He declined to settle under those terms. Further attempts to discuss settlement were unproductive.

*Attorney Adams Requested authority to schedule a compliance meeting.*

*The Board by consensus agreed to authorize and schedule a compliance meeting in the matter of Mordecai Lerer 2006030-2930.*

### **D. RECOMMENDING AND REQUESTING DISMISSAL**

**Michael Esposito 2003051-2503** – improper records maintenance  
Complainant Attorney's Title & Abstract Company is still in litigation with Mr. Esposito in this matter. The original allegations were based solely on failing to maintain records for a long enough period of time. When the case was opened there was a great deal of correspondence between the attorney for the complainant and the Board's Attorney regarding the fact that the Board regulations and governing statutes do not specify a time period CPAs must physically keep records.

If in fact, Attorney's Title prevails in the suit and the CPA is found to be negligent, the complainant could file a complaint with us based upon that finding or ask to reopen this case. I have written to the complainant and have not had any response.

*Attorney Adams Recommended dismissal – no violation, no probable cause found*

*Motion made by Philip DeCaprio and seconded by James Ciarcia to dismiss the matter of Michael Esposito 2003051-2503. All voted in favor.*

*Mr. Romaniello recused himself and left the meeting room.*

**Christopher McKenna 2003052-2504** -Unprofessional conduct  
This licensee was under a court order to satisfy a judgment against him. He did pay the amount specified as due and owing, but did not pay an additional sum calculated by the plaintiff to be due as interest. There is nothing in the court documents ordering interest payments of this type or in this amount. There is a genuine dispute as to whether the amount is due and owing which is being argued in superior court.  
*Attorney Adams Recommended dismissal – no violation, no probable cause found.*

*Motion made by Richard Sturdevant and seconded by James Ciarcia to dismiss the matter of Christopher McKenna 2003052-2504. All voted in favor, except for Leonard Romaniello who had recused himself and left the room..*

**Herbert Bregman 2005063-2882** -Unprofessional conduct  
Mr. Michael Glazer filed a complaint alleging that Mr. Bregman had improperly retained funds from an estate which had been advanced when the decedent was still living to pay for a future tax return. Investigation reveals that the amount paid was tendered by a third party and NOT by the estate and that the party who paid the funds received the services contracted for.  
*Attorney Adams Recommended dismissal – no violation, no probable cause found.*

***Motion made by James Ciarcia and seconded by Philip DeCaprio to dismiss the matter of Herbert Bregman 2005063-2882. All voted in favor.***

**George Thomson 2005046-2864** -Unprofessional conduct due to conflict of interest

Ms. Hurst alleged that Mr. Thomson favored her husband in the preparation and filing of the joint return they agreed to file during their divorce. Mr. Thomson had been acting as the CPA for Mr. Downey's businesses and filing all personal and business returns for over 10 years prior to the divorce. Ms. Hurst alleges that he failed to communicate with her and her attorney about the timing of the return while he was in constant communication with her husband. The returns were properly filed and she does not dispute the accuracy of the returns.

***Attorney Adams Recommended dismissal – no violation, no probable cause found***

***Motion made by Michael Weinshel and seconded by Philip DeCaprio to dismiss the matter of George Thomson 2005046-2864. All voted in favor.***

## **E. KPMG PROGRESS REPORT**

**Michael Conway 2005050-2869** (XEROX audit partner 2000)

**Ronald Safran 2005051-2870** (XEROX audit partner 1998-99)

**Anthony Dolansky 2006021-2916** (XEROX audit partner)

**Thomas Yoho 2006023-2917** (XEROX)

**KPMG, LLC. 2005026-2839 and 2006024-2922** (XEROX)

**KPMG, LLC. 2006024-2922 and 2006024-2922** (Tax Shelter Case)

## **F. REQUESTING EITHER DISMISSAL OR COMPLIANCE MEETING AUTHORITY**

None

## **G. REQUESTING ISSUANCE OF FORMAL CHARGES**

**David Charles Searles and Searles and Houser, LLC**

**2006036-2936** (Searles and Houser) – Failure to undergo QR, improper firm name, failure to return client records

**2006002-2888** Failure to return client records

**2005008-2813** Failure to return client records

**2005058-2877** Failure to return client records

We have subpoenaed records on behalf of three of Mr. Searles' clients. None of the subpoenas has been obeyed. Compliance meeting notices have not been successfully served because he has abandoned his business and we do not have any knowledge of the location of his last known home address. Counsel will request permission from the Superior Court for alternate methods of service, such as publishing notice, and would like to include the service of formal charges in the scope of that request.

***Attorney Adams Requested permission to issue formal charges.***

***Motion made by Richard Sturdevant and seconded by Philip DeCaprio to issue formal charges in the matter of David Charles Searles and Searles and Houser, LLC, 2006002-2888, 2005008-2813, and 2005058-2877. All voted in favor.***

## **H. AFFIDAVIT OF THREAT TO THE PUBLIC WELFARE AND ORDER OF SUSPENSION**

**Michael Kessler and Kessler & Company. LLC 2004248-2794.**

*Attorney Adams briefed the Board on the canceled Hearing for this case.*

## **G. ORDER OF DISMISSAL WITH PREJUDICE BASED UPON BOARD FINDING.**

*Mr. DeCaprio recused himself and left the meeting room.*

**Joseph Campise 2004018-2539**

*Matter tabled by consensus.*

Under other business Michael initiated a discussion of the latest AICPA exposure draft on ethics on the impact that certain indemnification and limitation of liability provisions may have on a member's independence when included in engagement letters or other agreements entered into with a client.

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 about possible changes in the structure of the CSCPA.

UCONN Professor Andrew Rosman also provided a comment on Prometric and why they no longer administer the GMAT exam.

A motion to adjourn the meeting was moved by Philip DeCaprio and seconded by James Ciarcia, all voted in favor. The meeting was adjourned at 11:10 A.M.