

**Connecticut State Board of Accountancy
Meeting Minutes
July 9, 2019**

The meeting was called to order by Chairman John H. Schuyler, CPA, at 10:00 A.M. in Hearing Room J, at 450 Columbus Boulevard, Hartford, Connecticut 06103

Board Members Present:	John H. Schuyler, Chairman	Certified Public Accountant
	Marcia L. Marien	Certified Public Accountant
	Peter J. Niedermeyer	Certified Public Accountant
	Timothy F. Egan	Certified Public Accountant
	Dannell R. Lyne	Certified Public Accountant
	Mark Aronowitz	Public Member

Board Members Absent:	Karla H. Fox, Esq.	Public Member
	Martha S. Triplett, Esq.	Public Member

Board Vacancies:	Public Member
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DCP Staff Present:	Frank Virnelli, Manager
	Cat Arsenault
	Robin Washbond

Public Present:	Dan Dustin, VP of State Board Relations, NASBA
	Bonnie Stewart, Executive Director, CT Society of CPAs

Note: The administrative functions of the Boards, Commissions and Councils are carried out by the Department of Consumer Protection, Occupational and Professional Licensing Division, 450 Columbus Boulevard, Hartford, CT 06103
Richard M. Hurlburt, Director: dcp.occupationalprofessional@ct.gov for minutes and agenda items
Agency Web site: www.ct.gov/dcp
Licensing/Certification: dcp.licenseservices@ct.gov
Enforcement issues: dcp.accounting@ct.gov

MINUTES OF PREVIOUS MEETINGS

Mr. Niedermeyer made a motion to approve the minutes of the May 7, 2019 Board meeting. The motion was seconded by Mr. Aronowitz. All remaining board members voted in favor.

NASBA UPDATE

Dan Dustin, Vice President of State Board Relations for NASBA presented an overview of NASBA activities around the country.

Mr. Dustin reported that NASBA's annual meeting will be held in Boston this year October 27-30, 2019 and next year the Eastern Regional meeting will be held in White Sulphur Springs, WV, June 9-11, 2020 and that NASBA provides a scholarship for new board members to attend an orientation and also provides a scholarship to a board member to attend the meeting, should the board not otherwise be able afford to send someone.

Mr. Dustin reviewed the **NASBA Tools and Services** which are free of charge to the boards including the **ALD/CPAverify** database, and he said right now 52 of 55 jurisdictions are participating in the database which represents more than 98½% of all licensees nationwide and that Accountancy is the only profession with a national database. He added that the **Accountancy Licensing Library** is available to board staff and to colleges and universities. The **CPE Audit Tool** will assist board staff in doing CPE audits and they will continue to roll it out to additional jurisdictions this fall.

Diversity is very important to NASBA and is part of its strategic plan for 2018-2021 which involves increasing women and minority representation on the boards. Mr. Dustin talked about **Firm Mobility** and indicated that more than 29 jurisdictions have adopted Firm Mobility. Also discussed, were **CPE Blended and Nano Learning**, and the states that recognize these programs. Mr. Virnelli informed Mr. Dustin that Connecticut's regulations allowing Blended and Nano Learning went into effect in February. Mr. Dustin commented on **Anti-Regulatory Legislation** around the country and the states that have had it introduced in 2019 and he spoke about the **2019 Criminal Conviction Legislation** and the four states that had laws enacted that removed the Good Moral Character clause from licensure and he indicated that a lot of these laws are removing or restricting the amount of lookback that a board can have with respect to misdemeanors and/or felonies in consideration of issuing an initial license.

Mr. Dustin provided an update on the Uniform Accountancy Act and **UAA Committee** and explained that the UAA Committee consists of 20 people; 10 appointed by AICPA and 10 appointed by NASBA and that the UAA Eighth Edition was issued in January 2018, and that they hope to implement continuous exam testing in July 2020, which would enhance a candidate's opportunity to sit for a failed section within a couple weeks of when they took the exam. Jurisdictions need rule or law changes, so it could take

longer. Mr. Dustin noted that there was a peer review exposure draft issued with comments due by June 30th and he discussed **NOCLAR** (noncompliance with laws and regulations) relative to confidential client information and the joint task force developed by the AICPA and NASBA. He said the key question is: while doing attestation work and you find something wrong, currently auditor's only choice is to resign and they cannot even tell the successor auditor why they resigned, let alone law enforcement.

Additionally, he talked about '**Experience to Sign Reports**' - should there be additional ongoing experience for individuals who sign audit and examination reports which will be discussed at a UAA committee meeting in July.

Two other significant topics Mr. Dustin discussed were AICPA-NASBA Joint Projects: **Evolution of the CPA Profession** – the five Guiding Principles, a move to add more technology and data analytics content both in education and on the exam; and **Code of Conduct** – achieving consistency among jurisdictions on the AICPA Code of Conduct. Lastly, Mr. Dustin said that **CPT Ethics Training** is available as an enforcement option for boards to use as a remedial tool in CPA cases.

OLD BUSINESS

Continuous Testing Update

Mr. Virnelli informed the Board that on May 29 he had completed for NASBA about what steps would be necessary to implement continuous testing. He said he replied that Connecticut would need to revise its regulations because currently we refer to testing windows and do not allow anyone to take more than one section during each quarter. We would not need to change our IT system. He had recommended the change to take place in April 2021 due to the estimated time it would take to get the regulations revised. Mr. Virnelli agreed to present a list of the regulations that would need to be revised at the next meeting.

Mr. Aronowitz commented regarding continuous testing and said that at the Eastern Regional meeting Colleen Conrad, Executive VP & COO, stated that NASBA would provide assistance to any states if needed.

NEW BUSINESS

NASBA Eastern Regional Conference

Mr. Aronowitz attended the Eastern Regional Meeting which was held June 11-13, 2019 in Washington, DC. The highlights of the conference are covered in Dan Dustin's NASBA update.

NASBA Response to SEC on the Extended External Reporting Assurance Consultation Paper

Chairman Schuyler said that the Regulations Review Committee drafted a response to the SEC to its extended reporting assurance standard consultation paper. He said that he thinks NASBA has the right answer. He said that there is also an effort by the AICPA to conform the standards to what has been determined by the courts. The professional standards can be stricter than the legal standard, but not less. Chairman Schuyler said he thinks this is viable and appropriate. Regarding this subject, Ms. Marien, who is on the Auditing Standards Board, reported that the charge is to follow the international standard, which is whether something could affect someone's opinion on the financial statements. The US standard according to the Supreme Court is that something would affect the opinion. She said that there is no change is what we do.

Proposed Revisions to CPE Provider Standards

Chairman Schuyler said that he thought they were overcomplicating it. He is worried that they may make it difficult for some people to get in-house CPE. But he has no comment for a response to the draft.

Proposed Statutory Revision Regarding Record Retention (§20-281k(c))

Ms. Arsenault said currently Connecticut law does not require CPAs to retain client records or work papers for any period of time, except for the requirement of compliance with SEC rules with respect to audit papers. The lack of record is harmful to the CPAs' clients and obstructs the Board's review of the CPAs' competency and investigation of complaints.

After further discussion on this matter, Ms. Marien made a motion to approve the Department's proposed statutory revisions. The motion was seconded by Mr. Lyne. All remaining board members voted in favor.

Proposed Legislation/Disclosure of Fees and Engagement Agreement

Ms. Arsenault stated that this requirement to delineate the scope of the service acts as a safeguard not only for the client or potential client, but the CPA as well. In the event a disagreement arises regarding the initial nature of the service, it will be essential for the parties to refer to the engagement agreement and look to the plain language of the document to clear up any conflicting views regarding the scope and the fees. There are situations whereby a CPA agrees to undertake a job in what is initially perceived as a relatively simple matter that could potentially become more complicated and, in which case, additional related accounting services are needed. In such instances, it would be easy for the CPA to modify the engagement agreement or draft a new agreement with the understanding he or she will perform additional services at an additional cost.

Ms. Arsenault said that the proposed legislation focuses on disclosure only, and not on regulation of fees. Chairman Schuyler expressed his concern that this may encourage fee disputes.

After further discussion, Ms. Marien made a motion that the Ms. Arsenault will research other states relative to this matter and report back to the board. The motion was seconded by Mr. Egan. All remaining board members voted in favor.

Interpretation/Intent of “Sole Proprietor” in Regulations §20-280-15c(n) Firm Names

Mr. Virnelli said that “sole proprietor” is a legal term that refers to an entity with one owner that is not a state-created entity such as an LLC or a corporation. He wanted to know if there is a different intended meaning of “sole proprietor” for this section due the reference to “past partners, shareholders, or members” in the last sentence of the section. It was agreed that the legal definition of the term was the correct interpretation.

CPA Evolution

Chairman Schuyler said the Connecticut Society of CPAs has comments that they can share. He agrees with the first three guiding principles, but has concerns with the others. Mr. Dustin said that in Guiding Principle #4 many people have a problem with the second sentence: “This includes non-CPA professionals whose technology and analytics skills are critical to the performance of assurance and other core services, as well as non-accounting major students.” He added that 80% of audit teams are non-CPAs. Chairman Schuyler said it is interesting to see the breakdown of non-licensees. Ms. Stewart said that the hiring of CPAs has been flat, but the hiring of non-CPAs by CPA firms is going up. This is due in part to firms acting as advisors, but it includes IT, and tax attorneys.

AICPA’s Exposure Draft on a Proposed Statement on Auditing Standards

Mr. Virnelli said that the AICPA had gathered comments on its proposed changes to chapter 3 of its Oversight Handbook, and would be sending out a revised version based on the comments.

EXTENSION REQUESTS

Continuing Professional Education

Michelle N. Cavallo – Requesting extension for medical reasons

Ms. Marien made a motion to grant an extension until September 30, 2019. The motion was seconded by Mr. Egan. All remaining board members voted in favor.

Katherine C. Lane – Requesting extension until August 31

Mr. Niedermeyer made a motion to grant an extension until August 31, 2019. The motion was seconded by Mr. Lyne. All remaining board members voted in favor.

Lisa B. Safian – Requesting extension until August 31 for medical reasons

Mr. Aronowitz made a motion to grant an extension until August 31, 2019. The motion was seconded by Mr. Niedermeyer. All remaining board members voted in favor.

William J. Spiegel – Requesting extension until July 31 for good cause

Ms. Marien made a motion to deny this request. The motion was seconded by Mr. Lyne. All remaining board members voted in favor.

Sean B. Stanziale – Requesting extension until September 30 for medical reasons

Mr. Niedermeyer made a motion to approve an extension until September 30, 2019. The motion was seconded by Mr. Aronowitz. All remaining board members voted in favor.

Joseph J. Tiroletto – Requesting extension until August 31 for good cause

Ms. Marien made a motion to approve an extension until August 31, 2019 subject to receiving doctor's note by July 31, 2019. The motion was seconded by Mr. Egan. All remaining board members voted in favor.

Mr. Niedermeyer made a motion to add the following individuals to the agenda. The motion was seconded by Mr. Lyne. All remaining board members voted in favor.

Patrick Gothie – Requesting extension until September 30 for good cause

Mr. Lyne made a motion to deny this request. The motion was seconded by Mr. Niedermeyer. All remaining board members voted in favor.

Jan Cohen – Requesting extension until September 30 for good cause

Mr. Niedermeyer made a motion to grant an extension until September 30, 2019. The motion was seconded by Mr. Aronowitz. All remaining board members voted in favor.

Lenore Thompson – Requesting extension until July 31 for good cause

Ms. Marien made a motion to deny this request. The motion was seconded by Mr. Egan. All remaining board members voted in favor.

Erin Kirkaldy – Requesting extension until July 6 for good cause

Ms. Marien made a motion to approve extension until July 6, 2019. The motion was seconded by Mr. Aronowitz. All remaining board members voted in favor.

Examination:

Kyle Brady – Requesting extension until November 28, 2019 for good cause

Mr. Lyne made a motion to deny this request. The motion was seconded by Ms. Marien. All remaining board members voted in favor.

COMMENTS OR CONCERNS OF ANY PERSON PRESENT TODAY

Bonnie Stewart, Executive Director, CTCPA, reported on the 2019 legislative session.

Ms. Stewart stated that the sales tax on accounting and tax services was a huge issue for CTCPA membership and they were successful in defeating it for this year. Additionally, a measure to increase the CPA licensing renewal fee by 75% was also defeated; but there is a measure that is contained in the final budget that called for a study of fees which CTCPA will carefully watch.

Also stopped this year, but will probably appear next year, is the 'Unauthorized Practice of Law'. The National Elder Law Attorneys Group had proposed legislation that said no one could give any advice based on statutes; and they were specifically targeting those people who are helping individuals get Medicare/Medicaid. Ms. Stewart feels they will be back next year to try and restrict who can give advice, so CTCPA will stay on top of this matter as well.

Ms. Stewart added that the Department of Revenue Services fixed some of the major issues with the pass-through entity measure that was passed the year before, and made those changes retroactive.

Ms. Stewart noted that it was a very busy session due to the new administration with 45 new legislators and she expects it to be less hectic next year since it won't be a budget year.

Ms. Stewart said that they have established a great peer review program at the Society with two people who work full time on the peer review process; in addition they have very good fees in comparison to the rest of the country and lower than many states. Chairman Schuyler asked about the administration of the program. Ms. Stewart said that Massachusetts and Connecticut are working together but the administration remains with Connecticut.

Regarding professional development, Ms. Stewart commented that they have started Nano Learning and some of the feedback they have received are concerns that the reporting is an issue on the current forms so forms need updating.

Ms. Stewart added that they have started a Diversity and Inclusion initiative, and said they have a couple of programs (Business Chemistry and Unconscious Bias) which are going well and that the CTCPA is reaching out to Junior High/High school to attract kids into the profession while ensuring a more inclusive group as they move forward.

Another hot topic at CTCPA is CPA Evolution as they are seeing people trying to learn more about Block Chain, AI, and Data Analytics; and they will also be looking at Firm Mobility as the majority of states now have it and the AICPA is encouraging it along with the Code of Conduct. Concerning anti-regulation, Ms. Stewart feels it is not an issue for Connecticut because Connecticut tends to over regulate versus under regulate.

Ms. Stewart brought up an issue that some CTCPA members are experiencing when they apply to sit for the CPA exam. They have their bachelor's degree, but not the transcripts from the final semester so by Connecticut law they are unable to apply to sit for the exam. Other states only require 120 credits to apply to sit for the exam. Making individuals wait after they have 120 credits puts Connecticut at a disadvantage and Ms. Stewart added that we should look at modifying state law.

Ms. Marien made a motion to amend section 20-280-23(a) of the Regulations to replace the requirement of a college degree with 120 college credits.” The motion was seconded by Mr. Lyne. All remaining board members voted in favor.

ADJOURN

Mr. Egan made a motion to adjourn the meeting at 12:25 P.M. The motion was seconded by Mr. Niedermeyer. All remaining board members voted in favor.

Next scheduled meeting: Thursday, September 5, 2019, at 10:00 A.M., in Hearing Room J, 450 Columbus Blvd., Hartford.