

NEWSLETTER

VERMONT BOARD OF PUBLIC ACCOUNTANCY

Secretary of State, Office of Professional Regulation

Topics in this newsletter include: Chair's Report, Laws & Rules Updates, Peer Review, CPE Changes, CBT Exam, License Renewals, Independence, Ethics, Disciplinary Actions and Complaints, etc.

Board Members

The members of the Vermont Board of Public Accountancy and their term expiration dates are as follows: Jeffrey A. Graham, CPA, RPA, Chairman, Springfield, Vermont (12/08); Pamela J. Douglass, CPA, Brandon, Vermont (12/09); Lee M. Spivey, Jr., CPA, Manchester Center, Vermont (12/08); Claire LaVoie, CPA, North Hero, Vermont (12/09), and Cairn G. Cross, (public member), Ferrisburg, Vermont (12/05).

Members are appointed by the Governor and serve until a successor is appointed.

Introduction

The Board of Public Accountancy is pleased to bring you its second Newsletter. This Newsletter contains information about changes to laws and rules highlighting areas of significant change, and other issues pertaining to this quickly changing field.

Staff

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Patty Skinner is the Board's Administrative Assistant. Ms. Skinner may be reached at (802) 828-2837; Fax: (802) 828-2465; E-Mail: pskinner@sec.state.vt.us

Christopher D. Winters serves as Board Counsel.

Our Web site is:
www.vtprofessionals.org

From the Chairman

With this newsletter, the Board of Public Accountancy is continuing to be proactive in the dissemination, to all licensees, of the numerous changes affecting our profession. In addition, the Board hopes that the information provided in the newsletter is useful in the every day practice of your firm and in the renewal of CPA and RPA licenses by July 31, 2005.

The Board continues to meet regularly, typically monthly, on a variety of topics, many of which are included in this Newsletter. However, when you review this document, please let us know if there are other issues that impact your practice and that aren't covered in either of our initial Newsletters. We will be certain to address other important topics in

subsequent issues.

On August 22, 2003 our new rules for the practice of public accountancy became effective, which were in response to changes in the laws as of July 1, 2002. If you haven't dedicated the time to understand and implement these new practice requirements, please do so now. Many new provisions have been adopted which, as an example, limit the time a licensee or applicant may exercise practice privileges. You will also note that no new RPA applications will be accepted in Vermont after the transition date noted.

The July 2003 Newsletter included a general description of attest services. The detailed definition of attest is included on the Board's Web site. Please be sure to review your engagements before you complete your renewal application, and complete your peer review arrangements to assess and include all applicable projects in the scope to be considered in the sample chosen by your Peer Reviewer for your firm.

The entire Board invites all CPA's and RPA's to attend our meetings. The Board typically meets on the fourth Tuesday of each month, with the exception of February and March. A list of dates for these meetings is

available from our staff and on the web site.

Exam Issues

The Computer Based Test (CBT) has finally replaced the paper and pencil CPA exam. However, for those who have participated, it hasn't been without many transition problems. The Board regularly receives information relating to score results, problems encountered at the new exam site(s), reporting timeframes after test completion and more. If you or a member of your firm or educational institution experience problems, please provide feedback to the testing service and copy your concerns to the Board.

It is apparent that the numbers of CBT applicants has declined nationally and test scores have been negatively affected since the final paper and pencil exam in November 2004.

Independence Rules

The Board has experienced some limited activity in this area. It is our recommendation that all firms review the Code of Professional Conduct (Section 101). Over the past several years CPA practice areas have been expanded to allow for commission payment arrangements, unique practice units, alliances with regional and national firms, and others.

During the past two years, the Board updated many independence rules to comply with law and other changes in American Institute of Certified Public Accountants (AICPA), SEC, GAO and OMB operating regulations. A thorough review of all practice areas is important, more so now than ever before. (See Rule 10.2 on page 4.)

"101-3" Issues

The newest of hot topics in our

profession is the enhanced interest in non attest service compliance. AICPA Code section 101-3 outlines the acceptable circumstances in which a CPA may provide services to an attest client. The section requires an advance written understanding with the client, certain representations about the ability of the client to accept responsibility for the work provided, and to assign a person to review the work of a CPA who is properly trained and knowledgeable about the accounting applications of the work provided.

It is the responsibility of the CPA firm to ensure compliance with this section.

PEER REVIEW-----Who needs it?

Putting aside the knee-jerk reaction to the peer review process, let's remember why it exists. It is to protect the public not only from fraudulent, unethical practices, but also to assure competency and consistency within the accounting profession. Our pride of product is reinforced by peer review. Does your firm need a peer review? Well... yes it does if it provides any attest function.

As of July 31, 2005, licensees submitting applications for licensure for the biennium beginning on or after that date, must include with their application, evidence of a successful peer review conducted within three years immediately preceding the application. If no attest functions were performed, no peer review is required.

An applicant not submitting a peer review must state to the Board of Accountancy, under penalty of perjury, that no attest reports were issued during the period of August 22, 2003 through July 31, 2005.

Attest services include: (1) Any audit or other engagement to be performed

in accordance with the Statement on Auditing Standards (SAS). (2) Any review of a financial statement or compilation of a financial statement to be performed in accordance with the Statement on Standards for Accounting and Review Services (SSARS). (3) Any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE). Peer Review is there to keep the profession honorable. Let's give it our support. (See Rule 10.7 below.)

Do You Have the Correct CPE for Re-licensure??

The following is summarized from Rule 9.1, 9.2 and 9.3. Please refer to the Accountancy Laws and Rules for further detail.

Some rules have not changed, but some have changed significantly!! The renewal period is now valid from August 1 through July 31 odd years.

Included in your 80 hours of CPE, for the first time this licensing period you will need:

* Four (4) Hours of Ethics (AICPA Code of Conduct and Vermont regulations

* Eight (8) Hours of Accounting and Auditing

The 80 hours must meet the standards of approval by being listed in the National Association of State Board of Accountancy's (NASBA) National Registry of CPE sponsors. This is not a change.

You are still responsible for keeping the supporting information and/or certificates to verify your attendance and/or completion. You are responsible for demonstrating that

these courses contribute to your professional competency and for demonstrating that a particular program is acceptable under the Accountancy Rules. Such documentation must be kept for a period of five years. Should your name be chosen in a random audit of CPE, you would need to provide evidence (copies of certificates) of your having the required CPE.

CPE comes in different formats: by taking Correspondence and Formal Individual Study Programs (aka Self Study); by being an Instructor/Discussion Leader/Speaker; by Publishing, by attending a Live Course; or by attending a Group Program. You cannot necessarily get all your credits from any one of these learning venues. Some of these have changed and some remain the same. The limits expressed in numbers of hours and percentages of the hourly requirements are as follows:

Self Study cannot exceed 64 hours or 80%. Instructor/Discussion Leader/Speaker cannot exceed 40 hours or 50%. Publishing cannot exceed 20 hours or 25%. All three above in combination cannot exceed 64 hours or 80%.

The Continuing Education Record has been amended to assist you in complying with the CPE requirements necessary for re-licensure, and can be found on the web site and as part of the renewal form.

As always, the Board reserves the right to verify CPE reporting on a test basis.

Do You Have an Internet Site ??
Is All the Correct
Information Included??

There are new requirements for information that needs to be posted on an internet site through which you are

offering to perform professional services. Rule 10.10(B) states that the following needs to be "clearly and prominently displayed:"

Firm name and registration number; licensee name and that they hold a valid Vermont license; principal place of business and business phone number; and a link to the Office of Professional Regulation's Web site www.vtprofessionals.org

Report of Supervised Experience

An important component of the CPA application process is the Report of Supervised Experience. As a licensed CPA, you may be requested by an applicant to complete this form. Because the Board attaches considerable importance to the supervisor's report in its evaluation of CPA applicants, it is critical that the form be carefully completed. The Board must have a good sense of the supervisee's experience, performance and character, as well as the specific nature of the work performed. Incomplete, illegible or incorrect supervisor reports are a frequent cause for delay in the licensing process.

Therefore, as you complete the form, note the following:

Be sure to respond to ALL questions, or provide an explanation for any omissions. All the yes/no responses MUST be answered on this sheet. The Board welcomes additional comments relative to the nature of the work experience. These may be enclosed on a separate sheet of paper (be sure to reference the question number).

Line seven of page two asks for the total number of hours the applicant was under your supervision. These should be working hours, and should not include vacation, sick, or other non-billable time.

You must also indicate the number of ATTEST FUNCTION hours and AUDIT FUNCTION hours in order that the Board can assess whether the applicant has the required 500 hours of attest including the 200 hours of audit experience required under Rule 5.9(C).

Note that the attest function hours are a subset of (NOT in addition to) the total hours on line seven. Likewise, the audit function hours are a subset of (NOT in addition to) the attest function hours.

If you are licensed in Vermont, provide a copy of your license indicating the current expiration date. If you are licensed in another state, jurisdiction or country, you must have your licensing body send a letter directly to the Board stating that you are licensed and in good standing. Verifications of licensure standing must indicate the date that you were initially licensed, and the expiration date. The Board accepts only National Association of State Boards of Accountancy (NASBA) approved supervisors. Remember that as a supervisor, you must have been licensed during the entire period of supervision you are claiming.

Be sure to retain a copy of the report for your files. The Board requires original signatures on page two of the form.

New Rules
Effective August 22, 2003

As we indicated in our 2003 Newsletter, the Vermont Board of Public Accountancy has comprehensively amended its Administrative Rules governing the practice of the profession in the State of Vermont. (A copy of these rules were sent to licensees in August of 2003 and are available via our Web site.) The Board held public hearings

on the proposed rules and solicited comments by publishing a summary of the proposed rules in newspapers across the State. This has been a process of several years as the Board has gathered information and input from many sources to thoroughly and carefully consider each aspect of accountancy practice in the State of Vermont. Much of the language came from the Uniform Accountancy Act and was in response to statutory changes previously passed. The Board then went before a Legislative Committee to gain approval of its proposal.

The changes affect rules in many areas of practice because they had not been revised in several years. Some of the more dramatic changes and areas that have drawn the most attention by way of public comments are listed below.

The following list is not inclusive of all the changes, and the Board strongly recommends that every licensee read the rules in their entirety. **As a licensed professional in this state, you are responsible for being aware of, and complying with, these administrative rules.**

Rule 2.2, Definitions - Most significantly, the definition of "attest" has changed.

(3) "Attest" means providing the following financial statement services:

- A. any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS);
- B. any review of a financial statement or compilation of a financial statement to be performed in accordance with the Statement on Standards for Accounting and Review Services (SSARS); and
- C. any examination of prospective financial information to be performed in accordance with the Statements on

Standards for Attestation Engagements (SSAE).

The statements on standards specified in this definition shall be adopted by reference by the Board pursuant to rulemaking and shall be those developed for general application by recognized national accountancy organizations such as the American Institute of Certified Public Accountants.

Rule 3.2, Safeharbor Language - This language evolved over the course of rules discussions as national organizations compromised on how to avoid violation of the act.

Rule 5.3, Studies in Accounting, Auditing and Business - This rule has been modified to make clear that United States income tax and United States business law are required studies.

Former Rule 5.4, Apprenticeships - The apprenticeship provision has been eliminated.

Rule 5.6, Examination Subjects - Exam subjects have been slightly modified and renamed; eight hours of professional ethics required.

Rule 5.8, Conditional Credit - Significant changes to reflect new computer based testing requirements.

Rule 5.9, Experience - Experience under a licensee only counts if the license is deemed equal under the NASBA reciprocity agreements. Experience must include at least 500 hours of attest functions, with at least 200 hours of that related to the audit function.

Rule 9.1, CPE - Of the 80 hours of CPE required every two years, at least 4 hours must be in professional ethics

and at least 8 hours in accounting and auditing. The ratio of live courses to self-study has been set at 20/80. No more than 80% of CPE courses can be independent study and at least 20% must be live presentations.

Rules 10.2, 10.4 and 10.5, Independence, Commissions and Contingent Fees - All have been modified to use more up-to-date language from the Uniform Accountancy Act.

10.2 Independence

A licensee shall not perform attest services on financial statements of an enterprise in such a manner as to imply that the licensee is acting as an independent public accountant with respect thereto unless the licensee is independent with respect to such enterprise. During the period covered by the financial statements, independence will be considered to be impaired if a licensee has not followed the then current AICPA Code of Conduct, General Accounting Office or Securities and Exchange Commission's independence standards.

Rule 10.7, Peer reviews - Rather than report reviews done by the Board, peer reviews are now required. For any firm having performed an attest function after August 22, 2003, when applying for renewal on July 31, 2005, will be required to have had a peer review in the three years immediately preceding that renewal application.

10.7 PEER REVIEW

(A) A firm shall not undertake any engagement for the performance of professional services which it cannot reasonably expect to complete with due professional competence, including compliance, where applicable, with Rule 10.7. The Board

will better serve the public interest when it takes positive action to monitor a firm's competence and compliance with professional standards.

(B) As a demonstration of a firm's competence, each application for renewal under Part 8 of these rules by a firm shall be accompanied by evidence that the firm, within the three years immediately preceding the application, had been subjected to a satisfactory peer review conducted in accordance with a peer review program approved by the Board. Such peer review reports are exempt from disclosure to the public under 1 V.S.A. §317(b)(3) and (b)(6), except in cases of continuing deficiencies and noncompliance as described below.

(C) If no reports were issued (attest services performed) by a firm within the meaning of the Act, then no peer review need be submitted. A firm must state to the Board, under penalty of perjury, that no reports within the meaning of the Act were issued during the immediately preceding three years.

(D) In the case of an individual associated with a firm, the individual will be covered by the firm peer review.

(E) For purposes of this rule the peer review must cover at least one office of a firm and one attest engagement of the firm within the state of Vermont. The proof of such peer review shall be the report and any letter(s) of comment(s), responses or remedial actions and subsequent follow-ups by the licensee submitted to the individual or firm by the professional organization. Acceptable organizations for purposes of this rule are the AICPA, New England Peer Review (NEPR), another nationally recognized association and NSA. The Board may

accept other organizations that perform peer reviews, but only after Board review. The Board reserves the right to review any organization that conducts peer reviews.

(F) Such reports shall not be used to initiate a disciplinary action against a licensee unless the deficiency is found to continue after due notice to the licensee. Due notice means the Board has received a report, or reports, of a firm or licensee which are substandard; that a letter of comment has been provided by the peer reviewer detailing the deficiencies; that the firm or licensee has had an opportunity to respond to the comments; and that after such response by the firm or licensee the peer reviewer directs the firm or licensee to take corrective action and the firm or unit does not or refuses to take the corrective action. Such corrective action recommended by the peer reviewer is a recommendation only and the Board, if it desires to enforce the peer reviewer's recommendation, must then initiate a disciplinary proceeding in accordance with these rules.

(G) The Board reserves the right to conduct a field review of work papers, and personal communication with the firm or licensee may be warranted. Such review may be conducted through a designated representative of the Board. A field review is appropriate in the following circumstances when:

- (1) It is necessary to resolve disagreement between the Board and the licensee; or
- (2) the firm or licensee has had a prior substandard report; or
- (3) the deficiencies found in the report(s) are serious; or
- (4) the positive enforcement review results in findings that cause the Board to be concerned about the overall quality of the firm or licensee's work.

(H) This Rule shall take effect on July 31, 2005. Licensees submitting applications for licensure for the biennium beginning on that date or who apply for licensure after the above date must have met these peer review requirements as a condition of licensure. The existing report review requirements will remain in place until then.

Former 10.8 - 10.11, Auditing Standards, Accounting Principles, Accounting and Review Services, and Other Professional Standards - These rules have been deleted, having been subsumed by other new rules.

10.8 CONFIDENTIAL CLIENT INFORMATION; RETENTION OF RECORDS

(A) A licensee shall not disclose, without the consent of the client, any confidential information pertaining to his or her client obtained in the course of performing professional services. This rule does not rise to that of a lawful or statutory privilege.

(B) Absent any specific regulation from governmental agencies with jurisdiction over the licensee's engagement, licensees shall retain records for no less than five years from the date of completion of the engagement. In the absence of other regulations mentioned above, retained records shall include work papers and other documents that contain conclusions, opinions and analyses, or financial data related to the engagement.

Rule 10.10, Advertising - New rule on the practice of accounting over the internet. (See above on page 3.)

Rule 11.1, Grounds for Disciplinary Actions - Much of this was deleted because the grounds are covered elsewhere in statute. See 26 V.S.A.

§76 and 3 V.S.A. §129a.

It is the Board's belief that these rules will benefit both consumers and licensees by setting clear standards for the practice of the profession in the State of Vermont, thereby increasing the quality of public accounting services performed in this state. If you have any questions, feel free to contact the Board.

Disciplinary Actions

Licensees: Gregory U. Barsanti, CPA and Gregory U. Barsanti, CPA, P.C.

License Types: Certified Public Accountant and firm registration

Violation: Conviction of the criminal offense of mail fraud.

Sanction: According to a Board Order effective on September 23, 2003 Barsanti's licenses (individual and firm) were Revoked.

Licensees: Elizabeth C. Campbell, CPA and Elizabeth C. Campbell, CPA P.C.

License Types: Certified Public Accountant and firm registration

Violation: Failure to complete an engagement letter between Campbell and clients, failure to complete tax returns in a timely manner, failure to return documents upon request of client(s), etc.

Sanction: According to a Board Order effective on August 23, 2004, Campbell's licenses (individual and firm) were Conditioned. Conditions imposed included paying restitution to two clients totaling \$1,540, additional CPE in Ethics, Practice Management, and Multi-state Taxation; and Supervisory Review and Report to the Board.

Licensees: Elizabeth C. Campbell, CPA and Elizabeth C. Campbell, CPA P.C.

License Types: Certified Public

Accountant and firm registration

Violation: Failure to comply with the Conditions stated in the August 23, 2004 Order.

Sanction: According to a Board Order effective on March 22, 2005, Campbell's licenses (individual and firm) were Summarily Suspended.

Licensee: Alfred J. Viscido, CPA

License Type: Certified Public Accountant

Violation: Viscido's application for licensure in VT was preliminarily denied for holding himself out as a public accountant without being licensed in VT.

Sanction: According to a Board Order effective on May 27, 2003, Viscido's license was Conditioned for a period of two years. Conditions included additional CPE, Practice under supervision, etc.

Licensees: Kenneth J. Heath, CPA and Kenneth J. Health, CPA (firm)

License Types: Certified Public Accountant and firm registration

Violation: Conviction of felony offenses in NH for committing theft by obtaining or exercising unauthorized control over the personal property of another. The Respondent was ordered to pay Restitution of approximately \$12,400 by NH criminal court.

Sanction: According to a Board Order effective on May 16, 2003, Heath's licenses (individual and firm) were Revoked.

Complaints

The Board must investigate all allegations of unprofessional conduct submitted. What follows is a composite of some of the issues that may result in the filing of a complaint against a firm or practitioner. Having a complaint filed against you can be extremely disruptive and upsetting. If a case alleges unprofessional conduct,

as defined by the Board's laws and rules, the Office will order an investigation.

Although **many complaints do not result in disciplinary action**, they are still investigated. Many of those complaints that are closed without prosecution might have been avoided altogether had the firm or practitioner better communicated with the client, staff, and/or colleagues.

If a complaint is filed and the Investigative Team finds unprofessional conduct, the Board may take disciplinary action after a hearing. We hope that you will read this carefully. It does not cover every possible scenario, but it may help you avoid common pitfalls that result in a complaint, and/or disciplinary action.

1) Poor communication. Be sure to communicate well with your clients, your colleagues, and with your employees.

2) Unauthorized Practice. Practicing the profession without a valid license.
3) Expired License. Failing to renew and continuing to practice with an expired license is unprofessional conduct.

4) Timeliness. The Investigative Teams find that several cases are brought to the Office of Professional Regulation because the professional did not complete the agreed upon task in a timely fashion.

5) Poor Record keeping. Failing to maintain adequate records is unprofessional conduct. Adequate records also protect you!

Statistics

There are currently 1,151 active licensed Certified Public Accountants, 716 of which are residents; and 9

active Registered Public Accountants, 8 of which are residents. There are currently 279 active CPA firms, 208 of which are located in Vermont.

Annual Report

The Office of Professional Regulation's Annual Report is available online which contains statistics for all professions regulated under the Secretary of State's Office.

General Information

Our laws, rules, and many of our application forms are available via our Web site: www.vtprofessionals.org

Contact us

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