

# NEW JERSEY STATE BOARD OF ACCOUNTANCY

Public Session Minutes  
September 18, 2003  
HUDSON ROOM

A meeting of the New Jersey State Board of Accountancy was convened in accordance with the provisions of the Open Public Meetings Act. Pursuant to those provisions, the proper notifications were made to Office of the Secretary of State, the Camden Courier-Post, the Trenton Times, the Asbury Park Press, the Record and the Star-Ledger. Herbert Lipman, President of the Board, called the meeting to order at 9:30 A.M. and the following roll call was taken:

Keith Balla, CPA	Present
Elizabeth Burns, CPA	Present
Robert Cagnassola, CPA	Present
Andrew DuBoff, CPA	Present
Bennie Hadnott, CPA	Present
Albertus Jenkins, Public Member	Present
Aubrey Kosson, CPA	Present
Herbert Lipman, CPA	Present
Alfonso Pisano, Esq., Public Member	Present
Margaret Shoe, Public Accountant	Present
Robert Sommer, Public Accountant	Present
John Tully, CPA, Government Member	Present

Also present at the meeting were Elaine DeMars, Acting Executive Director; Marianne Greenwald, Deputy Attorney General; Dale Nelson, CPA, Director of Accountancy; Melba Perez, Assistant to the Acting Executive Director; Ralph Thomas, Executive Director, NJSCPA; Richard Van Volkenburgh, PA, NJAPA; Mike Polito, CPA, Past President, NJSCPA; James Evans, CPA, President, NJSCPA.

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## **I. Minutes of the Meeting of July 31, 2003**

The Board reviewed the minutes of the meeting of July 31, 2003, and on a motion by John Tully, seconded by Robert Sommer, the Board voted to accept the minutes with corrections. The vote of the Board was unanimous.

## **II. President's Remarks**

Mr. Lipman began the meeting by informing the Board that Keith Balla has been appointed to replace Gail Ryan and that Albertus Jenkins has been appointed to fill the vacancy left by Jeanne McPartland. Mr. Lipman had an opportunity to speak with Ms. Ryan and thanked her on behalf of the entire Board for her time and hard work during her tenure as a Board member. He recommended that a plaque memorializing

her work on the Board be ordered and presented to her at the November Certificate Ceremony. Mr. Lipman welcomed the two new Board members on behalf of the entire Board and invited Mr. Balla and Mr. Jenkins to introduce themselves and provide a brief summary of their experience and background.

Mr. Lipman referenced the current issue of the NASBA newsletter, highlighting the State Board report that recounted the matters discussed by the organization fifty years ago. The current relevance of a number of the fifty year-old issues was noted.

Information was provided on the J.H. Cohn Award. Of the 120 people recognized nationwide, 18 of the top scorers are New Jersey registrants.

### **III. Executive Director's Remarks**

Ms. DeMars informed the Board that a suspension notice letter was mailed to 3,352 licensees who are in the expired status. She advised the Board that a similar notice of suspension letter was sent out to 36,000 licensees of various Boards within the Division. Information was provided on the volume of calls received by the Board in response to the notification, the varieties of situations that led to the expired status and the casework undertaken by the Board staff to resolve the matters and to work with the licensees to make licenses current. Ms. DeMars also provided the current licensing statistics: 20,938 active licensees (including all categories) and 5,492 in the inactive status.

Ms. DeMars notified the Board that the last paper-and-pencil examination in New Jersey will be offered on November 5th and 6th in Somerset and Wildwood. The current registration for Somerset is 1214 with 409 for the Wildwood site.

The October 16, 2003 Board Meeting will be held at Rutgers University in Newark. Meeting location information will be provided with the October agenda.

The November 18, 2003 Board meeting and Certificate Ceremony will be held at PNC Arts Center in Holmdel, New Jersey. NASBA President, David Costello, has been confirmed as the keynote speaker.

Ms. DeMars reminded the Board that the Department ethics packets have gone out to all the Board members. She urged all to sign the acknowledgment form and forward same to the Board office.

### **IV. Rules and Regulations**

#### **A. Proposed Amendment N.J.A.C. 13:29-1.6**

The Board reviewed the Proposed Amendment for N.J.A.C. 13:29-1.6, published in the New Jersey Register on Monday, August 18, 2003. Comment period will end on October 17. It was noted that the phrase: "as long as they have obtained the required courses" must be added to the baccalaureate degree requirement, for clarification. The Board's intention is to preserve the ability of those who earned their baccalaureate degrees prior to July 1, 2000 to pass the exam and be licensed without 150 hours of education.

#### **B. N.J.A.C. 13:29-1A.1**

Following the review and discussion at the July Board meeting, Mr. DuBoff highlighted remaining issues with the current draft as: (1) There may be some revisions necessary to clarify the ordering of the process, and (2) a determination is needed on the amount of time that will be given to candidates with conditional credit. It is suggested that the Board err on the side of more time and allow as much time as under the current paper-and-pencil examination. He suggested a total of five years, which represents additional time, but the same number of opportunities (10) which is consistent with current regulations.

Mr. Tully expressed concern regarding the tracking of candidates who elect to test in various states. It must be determined if NASBA has a mechanism to track candidates taking the test in other states. The Board now scrutinizes conditioning.

On a motion made by Margaret Shoe and seconded by Mr. Balla, the Board voted unanimously to revise the language to allow for a maximum of 10 opportunities over a maximum of 5 years.

Regulatory Analyst, Maryann Sheehan, will make the revisions. On a motion made by Robert Sommer and seconded by Elizabeth Burns, the Board voted to authorize Committee Chair, Andrew DuBoff, to review the revisions and to move the regulation forward for approval and publication. The vote of the Board was unanimous.

## **V. Request for Waiver to Endorse License**

### **A. James Geary**

The Board reviewed a letter from Mr. Geary wherein he is requesting a waiver to reciprocate his Pennsylvania license. Mr. Geary is lacking three semester hours in business law and four semester hours in finance. Mr. Geary has been licensed in good standing in the State of Pennsylvania for nine years.

On a motion made by Alfonso Pisano, seconded by Robert Sommer, the Board voted to waive the three semester hours in business law and four semester hours in finance and approve Mr. Geary's request for reciprocity. The vote of the Board was unanimous.

### **B. John A. Broderick**

The Board reviewed a letter from Mr. Broderick wherein he is requesting a waiver to reciprocate his Pennsylvania license. Mr. Broderick is lacking six semester hours in accounting and six semester hours in business law.

On a motion made Alfonso Pisano, seconded by Elizabeth Burns, the Board voted to waive the six semester hours in accounting and six semester hours in business law and approve Mr. Broderick's request for reciprocity. The vote of the Board was unanimous.

### **C. Dennis M. Schleper**

The Board reviewed a letter from Mr. Schleper wherein he is requesting a waiver to reciprocate his Pennsylvania license. Mr. Schleper is lacking six semester hours in business law, two semester hours in finance and 14 semester hours in liberal arts.

On a motion made by Andrew DuBoff, seconded by Bennie Hadnott, the Board voted to waive the six semester hours in business law, two semester hours in finance and 14 semester hours in liberal arts and approve Mr. Schleper's request for reciprocity. The vote of the Board was unanimous.

## **VI. NASBA Matters**

### **A. Focus Questions**

The Board office received the NASBA Quarterly Communications and Focus Questions for review. An October 1, 2003 submission date is requested. Following a discussion of each question, the following is the consensus of the Board:

#### **Question #1:**

As required by the Sarbanes-Oxley Act of 2002, the Public Company Accounting Oversight Board

(PCAOB) will be conducting annual firm inspections of all accounting firms with clients that report to the SEC (annually if the firm audits 100 or more public company clients). The AICPA's SEC Practice Section has announced that it will continue to require its members to have peer reviews covering privately-held companies and other areas of their practice. Will your board accept the PCAOB's firm review as sufficient to meet your state's peer review requirement or will an additional review be required to cover other client engagements of those firms? Please explain your answer.

At this point, the Board is leaning toward adopting a policy to accept the PCAOB's peer review with no further requirements. It is anticipated that the PCAOB process will be comprehensive.

**Question #2:**

What has your board found to be their best practices for working effectively with your state legislators?

The Board's approach is through the coordination of efforts with the professional organizations within the state. This has been effective in achieving mutually desirable legislation.

**Question #3:**

Please address the steps your jurisdiction is taking to address the measures included in the Sarbanes-Oxley Act.

There has been no specific action to date other than the monitoring of situations which affect our licensees as they arise.

**Question #4:**

What is happening in your jurisdiction that is important for other boards and for NASBA to know about?

The New Jersey State Board has worked to develop a draft Computer-Based-Test regulation that, once adopted, will provide specific information on the requirements for examination candidates. The Board is also working to evaluate each of the six Prometric facilities scheduled to offer the CBT.

How were the responses shown above compiled?

Input from all Board Members and the Executive Director.

**B. Bylaw Revisions**

The Board office received an explanation of proposed changes to the NASBA Bylaws for review. It was generally agreed that the changes were primarily of a "housekeeping" nature.

Mr. DuBoff reported that certain matters relating to the Nominating Committee were discussed during the July NASBA Board of Directors' Meeting. The NASBA Board is focusing on the level of commitment and candidate-knowledge of the Nominating Committee membership. A task force, led by Milton Brown, is being created to study these and other issues. Robert Cagnassola confirmed that he has been contacted to serve on the task force and will attend the October 15 meeting in Nashville, Tennessee. It is possible that the work of the task force will result in substantive changes to the Bylaws. Mr. DuBoff will provide the Board with information as it becomes available.

**VII. National Society of Accountants**

A letter was received from John G. Ams, Executive Vice President of NSA, advising the Board that NSA decided to withdraw the exposure draft and terminate work on the Tax Accounting Standards for Small Business project. The letter is presented for Board review.

The Board reviewed the letter sent by John G. Ams and accepted it as informational.

## **VIII. Prometric Site Visit**

The Board reviewed a copy of John Tully's evaluation of the Hamilton, NJ Prometric testing facility.

In discussion, Mr. Tully advised the Board that the facility is inadequately monitoring the test takers. The Board advised the Acting Executive Director that the CBT Task Force should be notified of the situation and find out from them what steps they are taking to rectify the situation.

In Mr. Tully's evaluation of the Hamilton location, there was very little observation of candidates by the proctor. The Board considers this to be a matter of great concern. The Acting Executive Director was directed to inform the NASBA CBT Administration Task Force of this observation, noting that we will continue to evaluate the remaining sites. Of the six New Jersey Prometric sites, three have been evaluated. All should be evaluated before the year-end. Mr. Sommer advised that he would like to be scheduled to visit the Fairlawn testing facility. Mr. Balla would like to visit the Union facility. Ms. DeMars will provide the appropriate paperwork for the two Board members to visit the Prometric site. The remaining site is Toms River.

## **IX. Committee Reports**

### **A. CPA Examination Committee - Chairman**

There was no report for the Board.

### **B. Ethics Committee - Chairman**

Dale Nelson advised the Board that there have been three additional submissions for ethics courses.

### **C. CPE Committee - Robert Sommer, Chairman**

Mr. Sommer had no report for the Board. Dale Nelson reported on the ongoing CPE audit. The interns are developing lists of those with shortages of credits and those who have not responded.

### **D. RMA Committee - Robert Cagnassola, Chairman**

The RMA examination will be given on the first Saturday in December.

### **E. QE Committee - Robert Cagnassola, Chairman**

Dale Nelson reported that, after the QE Standing Committee meeting on September 11th, there are five individuals that have been directed by the Committee to obtain pre-issuance reviews based upon their previously submitted reports on financial statements. The reviewers have been keeping current.

### **F. Education Committee - Aubrey Kosson, Chairman**

Mr. Kosson had no report for the Board.

### **G. Reciprocity Committee - Margaret Shoe, Chairman**

Ms. Shoe reported that she has received a letter from the California Society requesting information on New Jersey licensure requirements. The Acting Executive Director consulted with Ms. Shoe and responded to the inquiry and forwarded the rules and regulations. The letter noted that New Jersey does not automatically reciprocate with California. Ms. Shoe expressed concern that this Board should not be interpreting the laws

for other jurisdictions since the statutes and regulations are accessible and it can be accomplished with the respective legal counsel for the State.

#### **H. Nominating Committee - Robert Sommer, Chairman**

Mr. Sommer had no report for the Board.

#### **I. Rules/Regulations Committee - Andrew DuBoff, Chairman**

Maryann Sheehan spoke with the Board regarding the proposed amendment. (See section IV.)

#### **J. Professional Liaison Committee - Andrew DuBoff, Chairman**

Mr. DuBoff provided a report that the NASBA Education Committee is endeavoring to provide more specific information on the level of accrediting and defining each level. The Board can expect an update in the next few months.

The October NASBA Annual Meeting will include a panel on what can be done to reestablish confidence in the profession.

On a motion made by Robert Sommer and seconded by Elizabeth Burns, the Board voted unanimously to elect Mr. Lipman as the voting delegate for the NASBA 2003 Annual meeting to be held in Maui, Hawaii, October 26 through 29.

#### **K. Planning Committee - Robert Sommer, Chairman**

Mr. Sommer had no report for the Board.

### **X. Public Comments**

Ralph Thomas, Executive Director of the New Jersey Society of CPAs congratulated the newly appointed Board members. Mr. Thomas advised the Board that the NJSCPA will be making formal comments on the proposed rule (N.J.A.C. 13:29-1A.1) as soon as the comment period starts. Mr. Thomas notified the Board members that the program they had called College Night is renamed Career Night and as usual the Board is invited to participate on October 2. Career Night has been very successful and there is information regarding it on their website if anyone would like to check it out. He also reported that by the end of 2003, approximately 3,500 - 4,000 licensees will have completed the Society's NJ Law and Ethics course. The Society will undertake an evaluation of the endeavor with the instructors. Mr. Thomas advised the Board that the Society is ready to work with the Board on the creation of a distance-learning format for the course as soon as a Board Committee chairman is named. Finally, he noted that there are approximately 2,200 individuals who maintain licenses in both New York and New Jersey, and that there is evidence that a number of firms are moving to tri-state licensure. His organization will focus on the commonality of the course information and state requirements and present a proposal to the Board.

Mr. Van Volkenburgh welcomed the new Board members. He informed the Board that he has been made aware of one individual who is now in the process of the third consecutive CPE audit. He requested a CPE audit report. The Board's Director of Accountancy, Dale Nelson, responded that the final report should be concluded in the November/December time frame and he will confer with him on the issue raised.

### **XI. Adjournment**

On a motion made by Robert Sommer, seconded by Robert Cagnassola, the Board voted to adjourn the Public Session meeting at 11:20 AM and reconvene in Executive Session to review seven Investigative Inquiry reports and six consumer complaints. The vote of the Board was unanimous.

Respectfully submitted,

Elaine L. DeMars  
Acting Executive Director