

NEW JERSEY STATE BOARD OF ACCOUNTANCY

Public Session Minutes
October 16, 2003

RUTGERS UNIVERSITY - ENGLEHARDT HALL
NEWARK, NEW JERSEY

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 9:50 A.M. 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; Mike Polito, CPA, Past President, NJSCPA; James Evans, CPA, President, NJSCPA.

I. Minutes of the Meeting of September 18, 2003

The Board reviewed the minutes of the meeting of September 18, 2003, and on a motion by Alfonso Pisano, seconded by Robert Sommer, the Board voted to accept the minutes as presented. The vote of the Board was unanimous.

II. President's Remarks

Following welcoming remarks from Rutgers University - Rutgers Business School Dean, Dr. Howard Tuckman and Dr. T. Edward Hollander, MBA Program Director, Mr. Lipman addressed the

students in attendance, providing a brief overview of the function of the Board and comments on the impact of Sarbanes-Oxley and the future of the accountancy profession, in general.

Board Vice President Andrew DuBoff, provided information on the upcoming computer-based-test (April 4, 2004), including the format, scheduling and the number of opportunities candidates will have to pass all parts. He then responded to students' questions.

Mr. Lipman briefly discussed the PCAOB letter regarding the firm inspections. Mr. Lipman advised that he and Ms. Burns are still monitoring the firms for irregularities through information provided in the press and other sources.

Mr. Lipman advised that the NASBA 96th Annual meeting will take place October 26 - 29, in Maui, Hawaii. Five Board members will attend at their own expense.

III. Executive Director's Remarks

Ms. DeMars thanked Dean Tuckman and Dr. Hollander for the invitation to hold the Board meeting at the Rutgers Business School and to Hyona Revere and Terri Suarez for the assistance in finalizing arrangements. Mr. Balla, Mr. Cagnassola and Mr. Lipman will be proctoring the Somerset examination which has 1214 candidates in total, 431 first-time candidates and 783 for re-examination. Ms. Burns will be proctoring the Wildwood examination which has a total of 471 candidates, 85 first timers and 386 re-examination. The total candidates taking one or all parts of the examination at the two test locations is 1685. Ms. DeMars advised the Board members attending the examination site that security badges will be ready for them at the sites.

Ms. DeMars reminded the Board members that the November 18, 2003 Board meeting and Certificate Ceremony will be at PNC Bank Arts Center in Holmdel, New Jersey. The Executive Session of the Board meeting will start at 12 noon. 309 invitations have been mailed to newly licensed certified public accountants. NASBA President, David Costello, will be the guest speaker for the Certificate Ceremony.

Ms. DeMars presented a printed calendar with proposed meeting dates for 2004. The Board members are to review the dates and advise the Acting Executive Director of schedule conflicts. The dates will be approved at the November Board meeting.

Ms. DeMars advised that Mr. Sommer will be visiting the Fairlawn Prometric Testing Center, October 22, 2003. The Union site is in the process of closing to relocate at 11 Commerce Drive in Cranford, New Jersey. With Toms River as the only remaining site not evaluated by the Board, Mr. Tully offered to travel to complete that evaluation. Mr. Sommer informed Ms. DeMars that he has not received the test-site evaluation forms.

IV. Request for Waiver to Endorse License

A. Russell P. Heid

The Board reviewed a letter from Mr. Heid wherein he requested a waiver to reciprocate his Pennsylvania license. Mr. Heid is lacking two semester hours in accounting. On discussion, the Board noted that Mr. Heid passed the exam on the first attempt but has only been licensed in Pennsylvania since December 2002.

On a motion made by Robert Sommer, seconded by Alfonso Pisano, the Board voted to waive the two semester hours in accounting and approve Mr. Heid's request for reciprocity based on his MBA degree. The vote of the Board was unanimous.

B. Alfeo Stephen Rosa

The Board reviewed a letter from Mr. Rosa wherein he requested a waiver to reciprocate his Pennsylvania license. Mr. Rosa is lacking three semester hours in finance.

On a motion made by Robert Sommer, seconded by Andrew DuBoff, the Board voted to waive the three semester hours in finance and approve Mr. Rosa's request for reciprocity based on more than twenty years of experience. The vote of the Board was unanimous.

C. Gary R. Matthews

The Board reviewed a letter from Mr. Matthews wherein he requested a waiver to reciprocate his New York license. Mr. Matthews is lacking statements of experience.

On a motion made by Andrew DuBoff, seconded by Robert Sommer, the Board voted to waive the statements of experience and grant Mr. Matthews' request for reciprocity based on his explanation of his experience. The vote of the Board was unanimous.

V. Request for Approval of Education

A. Susan Phillbrook

The Board reviewed a letter from Susan Phillbrook wherein she requested approval to sit for the November 2003 examination. Ms. Phillbrook graduated from Pensacola Christian College (PCC) in May 2000. PCC is not an accredited school.

On a motion made by Alfonso Pisano, seconded by Robert Sommer, the Board voted to approve Ms. Phillbrook to sit for the November 2003 examination based on information received from the school which included curriculum and the instructors' credentials. The vote of the Board was unanimous.

VII. Request for Transfer of Grades

A. Yue Chen

The Board reviewed a letter from Mr. Chen wherein he requested a transfer of grades waiver from New Mexico. Mr. Chen did not sit for all four parts of the examination the first time. On discussion, the Board suggested that Mr. Chen obtain licensure in New Mexico before applying to New Jersey.

On a motion made by Andrew DuBoff, seconded by Elizabeth Burns, the Board voted to deny Mr. Chen's request for a transfer of grades. Mr. Chen is to be advised that he must first be licensed in New Mexico and show one year of experience before applying for a New Jersey license. The vote of the Board was unanimous.

VIII. NASBA Matters

A. "Answering the SOX Challenge"

The Board accepted this document as informational. It will be presented at the upcoming annual meeting.

B. Annual Meeting - October 26 - 29, 2003:
"The Renaissance of Regulation Continues . . ."

IX. Committee Reports

A. CPA Examination Committee - Aubrey Kosson, Chairperson

Mr. Kosson informed the Board that he reviewed NASBA's CPA Candidate Performance on the Uniform CPA Examination - 2003 Edition. Following a listing of some of New Jersey schools and the candidates pass/fail results, the Board asked that he compile overall statistics for New Jersey candidates compared to the overall rate for all fifty-four jurisdictions. This report is to be provided at the November 18th meeting.

B. Ethics Committee - Chairman - Elizabeth Burns, Chairperson

Ms. Burns reported that she has reviewed three new course provider applications. Sheldon Whitman submitted a course on behalf of his firm, Drucker, Math & Whitman. This application has been pending approval since April. There was some information missing from his course. Mr. Whitman will be in communication with Ms. Burns sometime later this month. Ms. Burns also reported that the law and ethics course submitted by Stockton College was very well written and that it was done in a professional manner, however, additional comparison with the AICPA standards is needed. Ms. Burns reported on the Gearty CPE course. It appears that the questions included in the course are identical to the NJSCPA course. (To her knowledge, NJSCPA has not prohibited duplication of the material.) With this course presented on a PC format, the Board inquired whether it would enable the course to be available as a distance-learning program. Ms. Burns will discuss this possibility with Mr. Gearty. Elizabeth Burns noted that she is scheduled to meet with Ralph Thomas to discuss the possibility of a distance learning program through NJSCPA. On a motion made by Robert Sommer, seconded by Robert Cagnassola, the Board voted to approve the Stockton College and Gearty courses subject to the information requested and final approval by Ms. Burns and Dale Nelson. The vote of the Board was unanimous.

C. CPE Committee - Robert Sommer, Chairperson

Mr. Sommer requested that the CPE Committee and the Rules/Regulations Committee meet so the new CPE rules can be reviewed. Andrew DuBoff responded affirmatively. DAG Greenwald is to be advised of the meeting schedule.

The CPE audit effort continues with a review of the licensees who have not responded to the notification. Those who have not completed all requirements will also be reviewed by the Committee.

D. RMA Committee - Robert Cagnassola, Chairperson

Mr. Cagnassola had no report for the Board. The examination is scheduled for the first Saturday in December (Dec. 6).

E. QE Committee - Robert Cagnassola, Chairperson

Mr. Cagnassola reported that at the October 2nd meeting a licensee was interviewed as part of the review process. There were questions about her independence on the engagement, along with deficiencies on the report and the possibility that the work performed out-of-state may have required a license to practice in that state.

In response to a question, Mr. Cagnassola discussed the Committee's process. Every firm is subject to the review requirements. However, outside programs are recognized, and firms participating in one of these programs are not reviewed by the QE Committee. Firms that do not participate in a peer review program are required to participate. The Committee monitors firms until such time that all levels of competence have been met. All monitoring is conducted by agreement of the licensee. Pre-issuance is required for continued deficient submissions. Mr. Cagnassola emphasized the need to make the program more effective. To do that, an additional professional staff member is required. He

asked that the Acting Executive Director obtain the status of the submitted request to hire. The Committee has added a requirement for auditors to send in audit programs.

F. Education Committee - Aubrey Kosson, Chairperson

Mr. Kosson reported that the College of New Jersey has new requirements for awarding scholarships.

G. Reciprocity Committee - Margaret Shoe, Chairperson

Ms. Shoe informed the Board that NASBA has forwarded a proposed agreement for reciprocity with Mexico entitled, "Professional Mutual Recognition Agreement". Ms. Shoe reported that we do not have to accept this five-year agreement based on the acceptance by AICPA or NASBA. Ms. Shoe feels that more information regarding the requirements for licensure in Mexico is necessary in order to review their reciprocity issues so that the Board considers all the facts in making a determination. Specifically needed are the details of the Mexico's regulations and a comparison to the requirements for New Jersey. Mr. Cagnassola suggested that NASBA be contacted to learn how Mexico's requirements compare to the Uniform Accountancy Act, with a focus on any substantial differences. The Board directed the Acting Executive Director to contact Harris Widmer, International Qualifications Appraisal Board Chair to obtain information for the Board's review, including a list of states that have adopted this five year agreement.

H. Nominating Committee - Robert Sommer, Chairperson

Mr. Sommer had no report for the Board.

I. Rules/Regulations Committee - Andy DuBoff, Chairperson

Mr. DuBoff was happy to report that pursuant to the authority provided him during last month's meeting, he was able to finalize the draft of the computer-based-test regulation (N.J.A.C. 13:29-1A.1-1A7(d)). Regulatory Analyst, Maryann Sheehan, provided invaluable guidance and assistance and is now in the process of creating the prefatory language before processing it for the various levels of review. Mr. DuBoff advised the Board that the five- year or ten opportunities requirement for passing was incorporated into the rules. There were minor ordering changes made to insure a logical order of the process. Given the length of the approval process, Mr. DuBoff advised the Board that the rule may not appear in the New Jersey Register until approximately the first of the coming year. The rules will then go into the sixty-day comment period, ending in the spring. It is possible that the rule may not be finalized by the April examination, but that will not prohibit anyone from sitting for the examination in April.

N.J.A.C. 13:29-1.6 (Applications for Original Examination; Education and Experience Requirements) was changed to add clarifying language so that the provisions afforded to those candidates who began the process prior to 2000 will continue to qualify for licensure without 150 hours until 2005.

The Board expressed their appreciation to Mr. DuBoff and the committee for the commitment and work necessary to complete this effort.

J. Professional Liaison Committee - Andy DuBoff, Chairperson

Mr. DuBoff reported that the New York State Society agreed to provide ethics violations to other regulatory authorities following the AICPA.

AICPA has decided to form task forces to deal with auditing standards for non-public companies. NASBA will provide a list of twelve individuals from which AICPA will appoint five members for the group. It is unclear if this will include any aspect of the enforcement functions.

K. Planning Committee - Robert Sommer, Chairperson

Mr. Sommer brought to the attention of the Board a report from Joel Rogoff which he felt would be good information to provide regarding the Board's duties. He is requesting that the Acting Executive Director update the information.

Mr. Sommer related that he feels that there should be a newsletter committee again. The original newsletter committee was chaired by Gail Ryan. Mr. Sommer feels that the Board needs to start working on the newsletter again and advised the Acting Executive Director to find out what the process is to reactivate the newsletter. The Acting Executive Director advised the Board that she will gather the information and provide it to the Board. Mr. DuBoff stated that a paper newsletter is obsolete. The only viable format would be through the use of the internet.

X Public Comments

James Evans, CPA, President of the NJSCPA reported to the Board that they have submitted a letter for the comment period of the published rule.

Mr. Evans reported that Career Night was successful with 200 students from around the State attending with 100 Society members. The Society will have its mid-year meeting on November 14 at the Pines Manor in Edison. Mr. Evans reminded the Board that the holiday luncheon will be on December 8, but, in light of current headquarters renovations, he was not sure of the location. On behalf of the Society, he expressed his hope that all Board members can attend.

XI. Adjournment

On a motion made by Alfonso Pisano, seconded by Bennie Hadnott, the Board voted to adjourn the Public Session meeting at 11:58 A.M. to reconvene in Executive Session to discuss six Investigative Inquiries and three Consumer Complaints. The vote of the Board was unanimous.

Respectfully submitted,

**Elaine L. DeMars
Acting Executive Director**

Speech from the Dean ?

Dean ? welcomed the New Jersey State Board of Accountancy to the Rutgers School of Business. For the six years he has been Dean of Rutgers, they have ranked 62 by Business Week. They climbed from 75 to 55 in one year. They have built \$1.2 million Global Financial Center similar to the one on Wall Street. They have been working with KPMG and Ernest & Young. They have recently taken focus in the pharmaceutical companies like the old Pharmacia, Hoffman LaRoche and..... They are trying to put together a Director's College. Thanked the Board again for hosting their Board meeting at the Rutgers School of Business.

Second speaker Dr. ?

Dr. ? briefly introduced himself and welcomed the Board and thanked them for having their meeting at Rutgers School of Business.

Speech from Mr. Lipman

Mr. Lipman started his speech by welcoming the Rutgers School of Business to their meeting and advised them that he is a 1960 graduate from Rutgers in public accounting. The Board was

established in 1904. The Board has the power of testing candidates for becoming licensed in the State of New Jersey. The Board members are appointed by the Governor's Office. The Board members terms are years. The Board consist of 12 members in total. The break down is seven certified public accountants, two public accountants, three lay persons which consist of one government member and two public members. The Boards duties is to oversee licensees conduct in a professional way.

Speech from Mr. DuBoff

Mr. DuBoff is the director at large at NASBA. Mr. DuBoff started by advising the students that the November 2003 examination is the last pencil and paper examination. As of April 4, 2004 candidates will have to take the computerized cpa examination. Each quarter for the first two months they will be able to sit for the examination and the next two months are down time. In one year they will have four months in which they can take the examination for two months. At this time they must take all four parts on the first attempt. When the new computerized examination is in place, they will be able to take the parts individually. They will have an 18 months rolling period from the first attempt to complete the examination. They will have 14 hours to complete all four parts. The examinations can be taken at Prometric Testing Centers which are located around the State of New Jersey. There are 122 seats at each site. The application process will remain the same. NASBA will continue administering the examination. Prometric Testing Centers can be contacted by 800 number at any time the candidates are ready to take the examination. Testing will be Monday thru Friday and some facilities will have Saturday testing and some in the evening. One student asked if they are able to take the examination in any state. Mr. DuBoff advised that it is possible to take the examination in any state but to keep in mind that if their examination and rules and regulations for licensure are not equivalent to New Jersey, there is a possibility that they will not be able to be obtain reciprocity in this state. Ms. Shoe went on to state that New Jersey accepts reciprocity from about 34 states. Mr. DuBoff thanked the students for attending the Board meeting.

Mr. Lipman read some article from the AICPA website on Sarbanes/Oxley.