

**STATE OF MICHIGAN
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES
BUREAU OF COMMERCIAL SERVICES – LICENSING DIVISION
2501 Woodlake Circle, Okemos, Michigan 48864-5955**

Board of Accountancy

BOARD MEETING MINUTES

September 26, 2003

In accordance with the Open Meetings Act, 1976 PA 267, as amended, the Board of Accountancy met in Regular Session on September 26, 2003, at the Department of Consumer & Industry Services, Bureau of Commercial Services, 2501 Woodlake Circle, Conference Room 1, Okemos, Michigan. The business meeting was called to order by Chairperson Edward Kisscorni at 9:02 a.m.

ROLL CALL

Present:	Edward Kisscorni, Chair	Professional Member
	Lola Peterson	Public Member
	Stephen H. Epstein	Professional Member
	Larry Donaldson, Vice-Chair	Public Member
	Alan C. Young	Professional Member
	Richard Fabiano, Secretary	Professional Member
	Richard Gabrys	Professional Member
	Dr. Samuel P. Graci	Public Member
	Beth A. Bialy	Professional Member
Staff:	Suzanne Jolicoeur	Licensing Administrator
	Jennifer Olson	Secretary
	Vito Danzo	Asst. Licensing Adm.
	Jeannine Benedict	Policy Administrator
Visitors:	Peggy Dzierzawski	MACPA
	Cynthia Kopczynski	MACPA
	Walter S. Koziol	MACPA
	Connie Ross	MSU
	Bill Tucker	Abraham and Gaffney

ADDITIONS TO OR DELETIONS FROM AGENDA

Ms. Jolicoeur asked that the following items be added to the agenda:

5. PETITIONS
Kimberly Langer
Bradley Kozma

John Husson
Amber Goebel
Ray Potter
Robert W. Rogalski

APPROVAL OF MINUTES FROM MEETING HELD MAY 16, 2003

MOTION: It was moved by Ms. Peterson and seconded by Mr. Young to approve the minutes; the motion carried unanimously.

ELECTION OF OFFICERS

Motion: Steve Epstein moved that a unanimous ballot be cast to reelect Ed Kisscorni as Chair and Larry Donaldson as Vice Chair. Beth Bialy seconded the motion.

Motion: Beth A. Bialy was nominated by Larry Donaldson for Secretary. The motion was seconded by Richard Fabiano. There being no other nominations, a unanimous ballot was cast for Ms. Bialy.

REINSTATEMENTS

Robert W. Rogalski

Ms. Jolicoeur stated that Mr. Rogalski had applied for reinstatement of his certificate, 1101017625, which was revoked on May 25, 1989, for nonpayment of fees.

Motion: It was moved by Ms. Peterson and seconded by Mr. Donaldson to approve Mr. Rogalski's application for reinstatement. The motion carried unanimously.

PETITIONS

A. Mark Johnson

Ms. Jolicoeur stated that Mr. Johnson's application for a CPA Certificate was denied because his application for licensure was received on July 7, 2003, and he does not meet the current requirement of 150 hours of education.

Motion: It was moved by Mr. Gabrys and seconded by Mr. Epstein to overturn the Department's denial of Mr. Johnson's application on the basis that the board considered the application as timely. The motion passed unanimously. The Department concurred.

B. Bradley L. Kozma

Ms. Jolicoeur stated that Mr. Kozma's application for CPA Certificate was denied because he applied after July 1, 2003, and does not meet the current requirement of 150 hours of education.

Motion: It was moved by Mr. Donaldson and seconded by Mr. Young to overturn the Department's denial of Mr. Kozma's application on the basis that Mr. Kozma passed the Uniform CPA Exam in May of 2003, and that he should not be held responsible for the AICPA's August exam grade release date. The motion passed unanimously. The Department concurred.

C. John D. Husson

Ms. Jolicoeur stated that Mr. Husson's application for CPA Certificate was denied because he applied after July 1, 2003 and does not meet the current requirement of 150 hours of education.

Motion: It was moved by Mr. Gabrys and seconded by Mr. Young to overturn the Department's denial of Mr. Husson's application, on the basis that Mr. Husson passed the May 2003 Uniform CPA Exam, and that he should not be held responsible for the AICPA's August exam grade release date. The motion passed unanimously. The Department concurred.

D. Kimberly Langer

Ms. Jolicoeur stated that Ms. Langer's application for a CPA Certificate was denied because at the time she applied in June she had not verified two calendar years of experience and had not passed the Uniform CPA Exam. When the results of the May 2003 became available in August, it was determined that Ms. Langer had passed the May exam. By then, she had also submitted proof of her experience.

Motion: It was moved by Mr. Epstein and seconded by Mr. Donaldson to overturn the Department's denial of Ms. Langer's application on the basis that Ms. Langer has met the experience requirement and did pass the Uniform CPA Exam in May of 2003. The motion passed unanimously. The Department concurred.

E. Amber Goebel

Ms. Jolicoeur stated that Mr. Goebel's application for CPA Certificate was denied because she hasn't met the business communications requirement.

Motion: It was moved by Mr. Fabiano and seconded by Ms. Peterson to uphold the Department's denial of Ms. Goebel's application for the

reason set forth in the denial. The motion passed unanimously.
The Department concurred.

F. Mary Ann McPherson

Ms. Jolicoeur stated that Ms. McPherson's application for CPA Certificate was denied because she hasn't met the business communications requirement.

Motion: It was moved by Ms. Peterson and seconded by Mr. Fabiano to uphold the Department's denial of Ms. McPherson's application for the reason set forth in the denial. The motion passed unanimously. The Department concurred.

G. Lori A. Gustitis

Ms. Jolicoeur stated that Ms. Gustitis' application for CPA Certificate was denied because she hasn't met the business communications requirement.

Motion: It was moved by Mr. Epstein and seconded by Ms. Bialy to uphold the Department's denial of Ms. Gustitis' application for the reason set forth in the denial. The motion passed with Mr. Graci abstaining. The Department concurred.

CONTINUING EDUCATION

A. Ray Potter

Ms. Jolicoeur informed Board members that Mr. Potter was approved for relicensure on March 31, 2003, and was requesting that the 80 hours due for renewal be prorated or the penalty hours be waived.

Motion: It was moved by Mr. Donaldson and seconded by Ms. Peterson to deny Mr. Potter's request to waive penalty hours or prorate the number of hours needed for renewal. The motion passed unanimously.

B. Gerald B. Sallan

Ms. Jolicoeur informed Board members that Mr. Sallan was requesting a waiver of penalty hours due to a medical condition.

Motion: It was moved by Mr. Graci and seconded by Ms. Peterson to approve Mr. Sallan's request to waive penalty hours. The motion passed unanimously.

C. Leonard Foss

Ms. Jolicoeur informed Board members that Mr. Foss was requesting a waiver of penalty hours due to a medical condition.

Motion: It was moved by Mr. Donaldson and seconded by Mr. Epstein to approve Mr. Foss' request to waive any penalty hours. The motion passed unanimously.

SARBANES-OXLEY

The Board members discussed various items that they had previously identified as warranting further discussion and study. No final decisions were made as the Board is still waiting for input from other organizations including the Michigan Association of Certified Public Accountants (MACPA) and the National Association of State Boards of Accountancy (NASBA). The items discussed included:

1. Composition of the State Board of Accountancy

The Board recommends retaining the current size of the Board with six professional members and three public members. However, the Board recommends one member, either a professional member or a public member, be an accounting educator. The Board does not favor the "public interest" and "financially literate" language suggested by NASBA.

2. Record Retention – Accounting Firms –

The Board recommends requiring records be retained for five years and will draft a rule to that effect. However, the small firm burden is a consideration and any requirements must be enforceable.

3. Mandatory Peer Review and Assessment of Registered Firms

The Board generally recommends making Peer Review, or a new name (Firm Inspections), mandatory in Michigan. However, a lot of implementation questions and concerns were raised, including cost. It was decided that the Board, through member Beth Bialy, would work with a committee organized by the MACPA to work out the details.

4. Scope Of Services

The Board recognizes that Scope of Services including ethical standards and independence standards are of utmost importance. However, the Board does not believe that the Michigan Board of Accountancy should get involved in the standard setting business. Therefore, the Michigan Board is waiting on NASBA for guidance on the important questions as to who should set standards for non-public

companies and the CPAs who perform attest services for non-public companies. The Board recommends that its rules be updated, on an annual basis, to reference nationally recognized professional standards (PCAOB, AICPA, GAO, Etc.) and compel Michigan registered firms and licensed CPAs to adhere to those standards, if applicable.

5. Audit Partner Rotation

The Board does not recommend statutorily requiring partner rotation or prohibiting the revolving door of auditors. The Michigan Board does not support the creating of another level of regulation. However, there was significant concern about the impact on independence arising from the comfortable relationship between a CPA and an attest client. Therefore, the Board recommends nationally recognized professional standards setting bodies (PCAOB, AICPA, GAO, Etc.) address these issues.

6. Corporate Governance

The Board does not recommend the "Corporate Governance" provisions of the Sarbanes-Oxley Act become Michigan law, although they are highly recommended in some cases as "best practices".

7. Whistleblower Protection

Larry Donaldson reported to the Board on Michigan's Whistleblower Law and the Accountancy Act provisions relating to confidentiality. The Board identified two groups in place to witness accounting fraud and potentially report it, i.e. employees and external accountants. Michigan law does provide protection to whistleblowers, however the bar is set high. The Accountancy Act would prohibit disclosure of a violation of law by a CPA working on an engagement because of confidentiality. Considerable discussion evolved without conclusion as to how the laws could be amended in a manner to expedite disclosure of accounting fraud.

8. White Collar Crime – Investigation

The discussion centered on three areas: 1.) Unlicensed CPAs, 2.) Copycat CPAs, and 3.) Other white-collar crime. Over the past several years there have been no convictions against unlicensed CPAs or copycat CPAs. Other white-collar crime convictions are rare. The

Board discussed the need for specially trained investigators and prosecutors to pursue these violations of Michigan law.

The Board recommends enforcement of Section 723 of the Occupational Code relevant to unlicensed activity and copycat CPAs and enforcement of other provisions or violations of the Accountancy Act.

9. Expand Ethics Requirements

Steve Epstein reported on the history of the Ethics continuing education requirement and Ethics training in Michigan. He and the Board felt the requirements were about right. Several Board members suggested that rules were needed to define what courses qualify for ethics continuing education.

10. Increase Penalties, Fines – Felony

The Board felt that penalties and fines should be increased and certain violations should be raised to the felony level. The Board recommends raising the maximum fine from \$10,000 to \$25,000 per violation. In addition, the Board recommends changing the misdemeanor violation provisions of Section 601 to a felony.

11. Continuing Professional Education – CPE

Board members discussed their frustration with the CPE audit process, specifically the high failure rate. Staff advised that a state initiative, E-Michigan, would provide the opportunity for CPAs to report CPE on line. When on line reporting is implemented, the Board recommends that CPAs report specific courses, instead of just hours, and that they be advised that a sample would be subjected to audit.

12. Economic Dependence

The Board discussed “economic dependence” and the possible impairment of independence. Although the Board viewed it as a problem, additional legislation was not viewed as an answer.

13. Relationship to Other Organizations

The Board believes that current law provides the Board and staff with legal authority to accept and provide information on investigations of licensees. In the future, it is hoped that the Board will receive more

information at a faster rate from governmental bodies, as well as from professional societies.

14. Review of the Statutory Provisions in the Accountancy Act

Staff will be reviewing the Accountancy Act to identify needed changes or revisions.

15. Review of the Accountancy Rules

Staff will be reviewing the Accountancy Rules to identify needed changes or revision.

PUBLIC COMMENT

None.

STAFF COMMENT

Ms. Jolicoeur announced that the Bureau's offices will be staying in Okemos.

ITEMS FOR CONSIDERATION FROM BOARD MEMBERS

None.

NEXT MEETING DATE

The next scheduled meeting of the Board of Accountancy will be held on November 21, 2003, at 9:00 a.m.

ADJOURNMENT

There being no further business to be brought before the Board at this time, the meeting was adjourned at 2:30 p.m.

Beth A. Bialy /s/
Beth A. Bialy, Secretary

November 21, 2003
Date

Jennifer Olson /s/
Recording Secretary

November 26, 2003
Date

