COMMONWEALTH OF VIRGINIA
BOARD OF ACCOUNTANCY

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Vice Chairman

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Immediate Past Chairman

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Board Member

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Board Member

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Board Member

Nancy Taylor Feldman
Executive Director/Agency Head

November 1, 2008

The Honorable Timothy M. Kaine
Governor of Virginia
Patrick Henry Building, 3rd Floor
Richmond, Virginia 23219

The Honorable Bruce F. Jamerson
Clerk of the House of Delegates
Virginia House of Delegates
Patrick Henry Building, 2nd Floor
Richmond, Virginia 23219

The Honorable Susan Clarke Schaar
Clerk of the Senate
Senate of Virginia
Patrick Henry Building, 2nd Floor
Richmond, Virginia 23219

Dear Governor Kaine, Mr. Jamerson, and Ms. Schaar:

The Virginia Board of Accountancy (Board) is pleased to submit its report for the period July 1, 2006 through June 30, 2008 to you for review. This report provides important information about the Board's organization, regulatory activity, information technology, licensing and enforcement processes, and agency financial data. Since the last biennium, the Board has implemented several cost efficient, customer oriented enhancements.

The Board made a major decision to end its contract with the outside vendor providing Uniform CPA Examination administration. We determined it could decrease the cost to

Virginia's examine candidates and raise the level of customer service in a significant manner to perform the service internally.

During 2007, the Board embarked on a significant initiative to propose extensive changes to the Board statutes to the General Assembly. The Board has also successfully relocated its office as part of the Department of General Services' Real Estate Initiative, began transitioning from its internally developed licensing application to a commercial off the shelf licensing product, and conducted an internal controls review as required by the Department of Accounts.

The Board is recognized as one of the top boards of accountancy in the country; and we will continue to endeavor to achieve greatness and success in the future. On behalf of the Board, we thank you for the opportunity to serve you and the citizens of the Commonwealth.

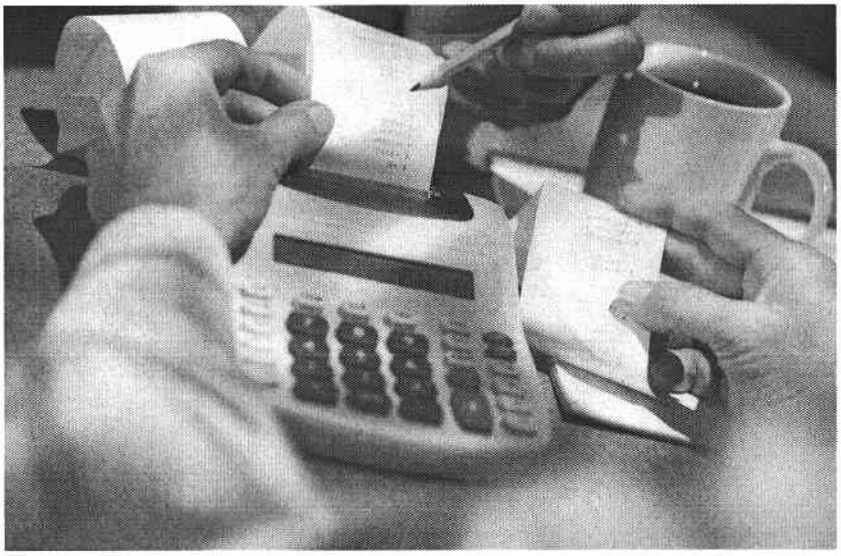
Sincerely,

Dian T. Calderone, MTX, CPA
Chairman, Virginia Board of Accountancy

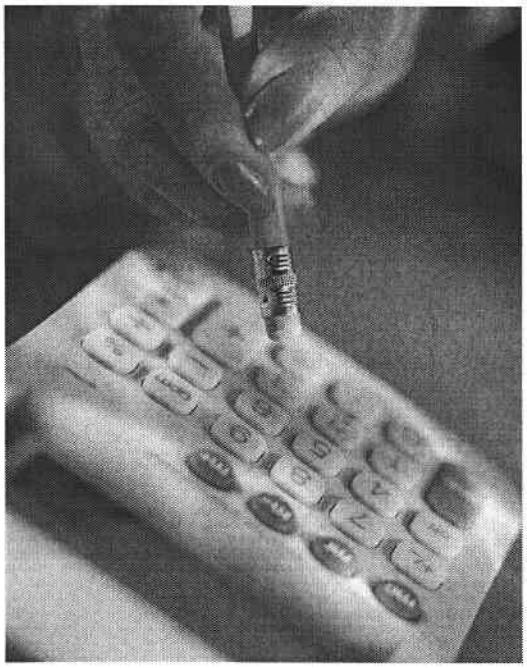
Biennial Report
2007- 2008

VBOA
Mission Statement:

The Board of Accountancy (Board), as mandated by the Virginia General Assembly, protects the citizens of the Commonwealth through a regulatory program of licensure and compliance of Certified Public Accountants (CPA) and CPA firms.



The Virginia Board of Accountancy



Michael D. Rogers
Acting Executive Director
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Overview

The Board of Accountancy's Board membership consists of seven members: one public member who may be an accountant but does not hold a CPA certificate; one educator in the field of accounting; and five certified public accountants of which four have been actively engaged in the practice of public accounting for at least three years prior to their appointment to the Board and one who may be a CPA not engaged in the practice of public accounting at the time of appointment but who has at least three years of experience in the accounting field prior to appointment. The Governor appoints each member to a term of four years and may not serve for more than two consecutive terms.

As noted in our mission statement on the first page of this document, the Board is committed to serving all citizens of the Commonwealth by ensuring the continuing qualifications of all individuals and firms holding themselves out to the public to be Certified Public Accountants. And while protecting the public, the Board also ensures that established standards are necessary and equally applied to all individuals and firms regulated by the Board.

Financial Management

As a non-general fund agency, VBOA is supported by assessments on licensed practitioners, and receives no income from tax revenues. State law requires the agency to adjust fees so that revenues are sufficient to cover expenses.

	Fiscal Year 07 7/01/2006 – 6/30/2007	Fiscal Year 08 7/01/2007 – 6/30/2008
Final Appropriations	$1,028,439	$1,157,506
Revenues	$789,120	$802,628
Expenditures	$911,371	$1,141,304
Cash Balances	$308,305	$96,023

Primary Business Function Summary

Licensing

The primary regulatory function of the Board of Accountancy is to license Certified Public Accountants (CPA) and CPA firms in the Commonwealth of Virginia. The initial application process involves determining whether each applicant for a CPA certificate meets the education, examination and experience requirements in strict compliance with the Code of Virginia and the Board's regulations.

During this biennial report period, the Board processed the following types of licenses:

	Fiscal Year 07 7/01/2006 – 6/30/2007	Fiscal Year 08 7/01/2007 – 6/30/2008
Original Applications:		
Online	1,142	1,106
Mail	17	9
Endorsement:		
Online	317	316
Mail	5	3
Reinstatement:		
Online	220	199
Mail	9	2
Total Individuals	1,710	1,635
Firms:		
Online	72	74
Mail	8	4
Total Firms	80	78

The Board staff also processed a many renewal applications (from established individual CPAs and CPA firms) during this timeframe.

	Fiscal Year 07 7/01/2006 – 6/30/2007	Fiscal Year 08 7/01/2007 – 6/30/2008
Renewal Applications:		
Individuals	19,213	18,847
Firms	1,107	932
Total Individuals & Firms	20,320	19,779

The grand total of all licenses processed during this biennium was as follows:

Fiscal Year 07 7/01/2006 – 6/30/2007	Fiscal Year 08 7/01/2007 – 6/30/2008
22,110	21,492

Continued Professional Education (CPE)

Essential to the renewal application process is the determination of the continued competence of a CPA certificate holder and a CPA firm permit holder. For a CPA certificate holder, maintenance of professional competence is measured by a requirement to meet continuing professional education (CPE) standards; and for a CPA

firm permit holder, this is determined through compliance with peer review requirements. These processes are necessary in order to protect the public.

Beginning in FY2003, the Board began a random audit of licensed CPAs to review documentation required to be maintained by the CPA to verify compliance with the Board's requirements for continuing professional education (CPE).

In addition, starting in FY2007, the Board also developed an audit procedure for use by CPA firms performing peer reviews. Since 2007 the Board staff has completed audit reviews for 100% of the firms practicing in the Commonwealth of Virginia. A periodic review process has been implemented to review a percentage of firms annually to ensure continued compliance.

	Fiscal Year 07 7/01/2006 – 6/30/2007		Fiscal Year 08 7/01/2007 – 6/30/2008	
CPE:				
In Compliance	450	87.9%	697	98.4%
Not in Compliance	62	12.1%	11	1.6%
Total Reviewed	512	100.0%	708	100.0%
Peer Review:				
In Compliance	1,163	90.7%	595	93.2%
Not in Compliance	119	9.3%	43	6.8%
Total Reviewed	1,282	100.0%	638	100.0%

As the percentages above suggest, most individual and firm reviews reflect the success of the continuing professional education program. However, in those instances where inadequate responses were received to VBOA requests for verification of required CPE hours, and/or to deficiencies identified during peer reviews, follow up enforcement action was initiated to protect the public from individuals and firms who fail to maintain required continuing professional education.

Enforcement

In addition to its internal enforcement agency staff, the Board has an Enforcement Committee comprised of two Board members. The mandate of this Committee is to review information compiled by the Board's investigative staff, and to determine the substance of violations of the statutes and regulations governing the practice of public accounting by CPAs and CPA firms. After careful deliberation by the Committee, it recommends appropriate action to the full Board for final disposition.

The Committee strives to enhance the efficiency and effectiveness of resolving complaints by using consent agreements, and by utilizing mediation as a means of dispute resolution in certain cases.

	Fiscal Year 07 7/01/2006 – 6/30/2007	Fiscal Year 08 7/01/2007 – 6/30/2008
New Complaints Received	30	37
Unlicensed Activity	20	18
PCAOB Matters	0	1
Other Matters	11	22
Total New Complaints	61	78
Fines Levied	$73,000	$165,000
Fines Collected	$19,500	$137,620

All monies collected from enforcement activities are required to be deposited into the Literary Fund and used to support Commonwealth of Virginia educational initiatives.

Agency Key Initiatives Summary

Exam Function Transfer

In August, 2006, the Board decided to terminate its contract with an outside vendor providing Uniform CPA Examination administration and transfer the CPA exam administration process in house as a primary business function. This resulted in a 66% cost savings to Virginia candidates taking the exam, and improved customer service.

	Fiscal Year 07 7/01/2006 – 6/30/2007	Fiscal Year 08 7/01/2007 – 6/30/2008
Initial Exam Applications	1,217	2,095
Re-exam Applications	6,171	9,272
Total Applications	7,388	11,367

Real Estate Initiative

In August 2007, the Board participated in the Department of General Services' Real Estate Initiative. This initiative relocated several independent state agencies operating at various sites in the city of Richmond into one centralized office building location at 9960 Mayland Drive. In addition to savings on rent, consolidated mail services, conference rooms, security, and a secured information technology data center are shared by all tenants, resulting in additional savings to the Commonwealth.

Information Technology

The Board of Accountancy serves 99% of its clientele via online access and transactions. However, the custom built, in-house, internal application software that supports the mission-critical, licensing, enforcement and financial functions of the agency is old and outdated, and no longer meets the agency's needs. In response to this need, VBOA identified a licensing application system that supports our business needs, including fully interactive processes for on-line licensure, case management and reporting and also provides better service to our customers. The provider of this application is System's Automation, and VBOA is now working with them, Virginia Information Technologies Agency (VITA), and Department of Health Professions (DHP) to implement the new system. The implementation is expected to be completed in December, 2008.

Regulatory

During FY2007, the Board embarked on a significant initiative to revise the statues governing the Board. The Board used a "conceptual" approach in this legislative initiative striving to ensure that the finished product would provide a clear, concise, and "evergreen" model for agency use. The legislative proposal became effective on July 1, 2007. The Board continues its efforts to develop regulations, and seeks public comments, so that they may move the proposal through the administrative process.

Internal Control Review

The Board had an internal control review (ARMICS) conducted during this biennium, as required by the Department of Accounts. The review was performed by an external vendor, and identified no material weaknesses in the Board of Accountancy's financial processes. The result of this was that the agency was not required to file a corrective action plan with the Department of Accounts.

Agency Summary

The Board of Accountancy is committed to protecting the public. In the next biennium, the Board intends to continue its improvement efforts through the regulation process, and by ensuring that staff continues to work in a professional manner with all licensed CPAs and CPA firms, and with the public.