



**COMMONWEALTH OF VIRGINIA
BOARD OF ACCOUNTANCY**

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November 1, 2008

Dian T. Calderone, MTX, CPA
Chairman

O. Whitfield Broome, PhD., CPA
Vice Chairman

Lawrence D. Samuel, CPA
Immediate Past Chairman

Regina P. Brayboy, MPA
Board Member

Tyrone E. Dickerson, CPA
Board Member

Stephen D. Holton, CPA
Board Member

William E. Hunt, CPA
Board Member

Nancy Taylor Feldman
Executive Director/Agency Head

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,

A handwritten signature in cursive script, appearing to read "Dian Calderone".

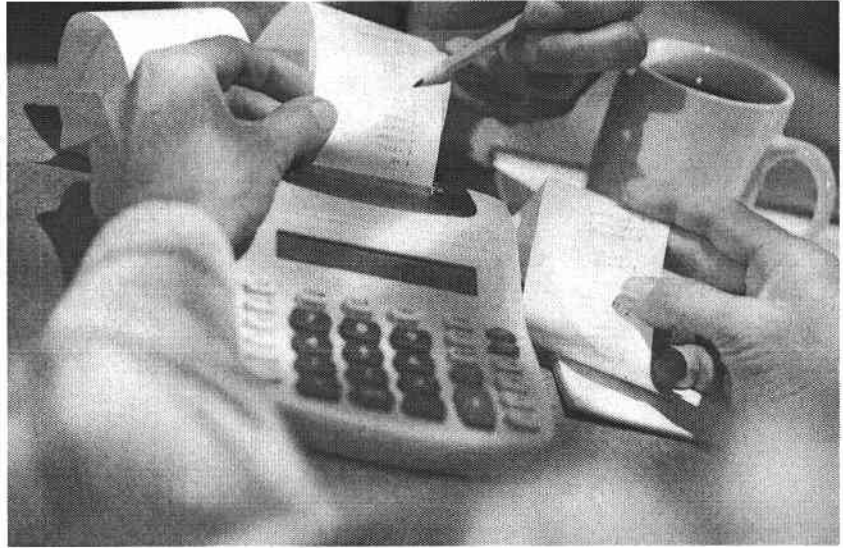
Dian T. Calderone, MTX, CPA
Chairman, Virginia Board of Accountancy

Biennial Report 2007- 2008

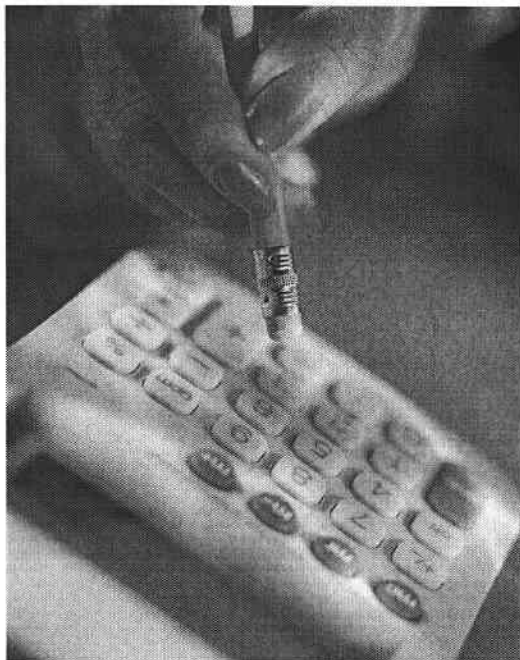
VBOA

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
(804) 367-0290

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Perimeter Center
Richmond, Virginia 23233



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
<u>Original Applications:</u>		
Online	1,142	1,106
Mail	17	9
Endorsement:		
Online	317	316
Mail	5	3
Reinstatement:		
Online	220	199
Mail	9	2
Total Individuals	<u>1,710</u>	<u>1,635</u>
Firms:		
Online	72	74
Mail	8	4
Total Firms	<u>80</u>	<u>78</u>

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
<u>Renewal Applications:</u>		
Individuals	19,213	18,847
Firms	<u>1,107</u>	<u>932</u>
Total Individuals & Firms	<u>20,320</u>	<u>19,779</u>

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
	<u>22,110</u>	<u>21,492</u>

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	<u>62</u>	<u>12.1%</u>	<u>11</u>	<u>1.6%</u>
Total Reviewed	<u>512</u>	<u>100.0%</u>	<u>708</u>	<u>100.0%</u>
Peer Review:				
In Compliance	1,163	90.7%	595	93.2%
Not in Compliance	<u>119</u>	<u>9.3%</u>	<u>43</u>	<u>6.8%</u>
Total Reviewed	<u>1,282</u>	<u>100.0%</u>	<u>638</u>	<u>100.0%</u>

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.