

Vermont Secretary of State  
Office of Professional Regulation  
**BOARD OF PUBLIC ACCOUNTANCY**  
**OCTOBER 26, 2004**  
**APPROVED MINUTES**

**1. The meeting was called to order at 9:02 a.m.**

Members present: Jeffrey A. Graham, CPA, RPA, Chairman; Pamela J. Douglass, CPA, Secretary; Lee M. Spivey, Jr., CPA; Claire LaVoie, CPA and Cairn G. Cross, Public member.

OPR Staff present: Christopher D. Winters, Board Counsel; Carla Preston, Unit Administrator and Patty Skinner, Administrative Assistant.

Others Present: Molly Lambert, Bob Gagliardi, Tanh Nguyen, Heidi Dupont, Tara Harwood, David Guerino, David Littlehale, Merissa Bushey, Patrick Theriault, Chris A. Varin and Patti Pallito

**2. The Chair called for approval of the Minutes of the September 28, 2004 meeting. Mr. Spivey made a motion, seconded by Ms. LaVoie, to approve the Minutes of the September 28, 2004 meeting with the noted changes. Motion passed unanimously.**

**3. Vermont Captive Insurance**

- a. Molly Lambert, President of the Vermont Captive Insurance Association, and others attended the meeting to discuss Board Rule 5.9 (Appendix A).

**4.. The Board reviewed and discussed the following applications for licensure.**

- a. Ms. Douglass made a motion, seconded by Mr. Spivey, to approve the following applicants for licensure based on their completed applications. Motion passed unanimously.

Elizabeth Anderson-Perez (Endorsement)	James Salerno (Endorsement)
Nichole Curley (Score Transfer)	Tanvi Shah (Examination)
Michelle Leever (Endorsement)	Stacey Tynion (Endorsement)
Gloria Pennington (Endorsement)	Perry L. Allen, CPA, CMA, CFM, CBM, CPOM

- b. The Board reviewed the applications listed below and noted that documents were either missing or unacceptable to complete their applications. Applicants will be notified of the Board's findings.

**Michele Caticchio (Examination)** – The Board reviewed Mr. Caticchio's application, but was unable to approve it as submitted. It appears that Mr. Caticchio worked under James Kromida prior to Mr. Kromida being licensed in California. If Mr. Kromida was a Canadian Chartered Accountant during this period of time, the Board will requires a letter of good standing from the licensing authority.

#### **4. Applications for review (cont.)**

**Elizabeth Gaillard (Examination)** – The Board reviewed Ms. Gaillard's application, but was unable to approve it as submitted. Ms. Gaillard's supervisor signed off noting that the total number of hours Ms. Gaillard worked was 4500. The numbers for audit and attest functions also show 4500 hours. The Board needs clarification of the mentioned hours.

**Andrew Hamme (Endorsement)** – The Board reviewed Mr. Hamme's application, but was unable to approve it as submitted. Because Mr. Hamme stated that he does not meet the five years of public accounting experience within the preceding 10 years, Mr. Hamme must submit evidence of having completed the AICPA's eight hour Ethics course and work experience; describing his work experience in detail.

**Reginald Lewis (Examination)** – The Board reviewed Mr. Lewis' application, but was unable to approve it as submitted. Mr. Lewis must provide certified copies of his transcripts, and information as to whether or not Katie Pacas and Kabir Lalamni directly supervised his work, or if they were peer reviewers.

**Erica Straight (Examination)** – The Board reviewed Erica Straight's application, but was unable to approve it as submitted. Ms. Straight must have her supervisors' provide a more detailed explanation regarding total number of hours worked, total of audit hours and total of attest function hours. Ms. Straight must also provide verification from the State of Arizona regarding Craig J. Isakson's licensure.

**Syed A. Shah (Endorsement)** – The Board reviewed Mr. Shah's application, but was unable to approve it as submitted. Mr. Shah must indicate whether or not he has 5 years of public accounting experience within the last 10 years. If the answer is no, than he must submit verification of passing the AICPA's eight hour Ethics course and provide certified copies of his transcripts.

**Lynn Vaughan (Examination)** – The Board reviewed Ms. Vaughan's application, but was unable to approve it as submitted. Ms. Vaughan's supervisors must complete the current report of experience forms during her employment at Ernst & Young.

#### **5. Legislation/Rule Making**

#### **6. AICPA Correspondence**

#### **7. NASBA Correspondence**

- a. The Board noted the Email from Laura Grube regarding questions from candidates that had been referred to the Board.
- b. The Board noted the Email received by our office with complaints regarding NASBA's online registration.

**7. NASBA Correspondence (cont.)**

- c. The Board noted the Email received from Kevin Taylor regarding his frustrating experience with the Examination Service.

**8. Correspondence**

- a. The questions in the email from John Kingston regarding CPE's, etc. were answered by the Board. Mr. Kingston will be notified.
- b. The questions in the email from Karen Patnaude regarding CPE's for license renewal were answered by the Board. Ms. Patnaude will be notified.
- c. The Board answered the question from Ken Bishop (NASBA) regarding whether or not the Board's rules would need amending to address PBT conditioning.
- d. The Draft of Government Auditing Standards was available upon request.
- e. The Board answered the email from Jane Castor regarding individual CPA Firm licensing requirements.

**9. Public Comment**

**10. Other Business Introduced by the Board**

- a. The Board held an election of officers.

Ms. LaVoie made a motion, seconded by Mr. Spivey, to elect Mr. Graham as the Chairperson. Motion passed unanimously.

Mr. Spivey made a motion, seconded by Ms. LaVoie, to elect Ms. Douglass for Vice Chair. Motion passed unanimously.

Mr. Spivey made a motion, seconded by Mr. Cross, to elect Ms. LaVoie for Secretary. Motion passed unanimously.

- b. The Board signed wall certificates.

**9. There being no further business, the meeting was adjourned at 3:35 p.m.**

Respectfully submitted,

Patty Skinner  
Administrative Assistant

### 3. Reports - Vermont captive industry

Molly Lambert, President of the Vermont Captive Insurance Association (VCIA); Bob Gagliardi; Tanh Nguyen; Heidi Dupont; Tara Harwood; David Guerino; David Littlehale; Merissa Bushey; Patrick Theriault; Chris A. Varin; and Patti Pallito attended the meeting to discuss the acceptability of experience earned at captive management insurance companies (Board Rule 5.9).

Ms. Lambert said she is the President of the Vermont Captive Insurance Association (VCIA). She said her purpose today was to provide the Board with a snapshot of the role of the VCIA within the industry, and introduce people who are managing captives to the Board. Ms. Lambert said Vermont is the largest captive in the United States and the third largest in the world. She said 20 million dollars go to the general fund each year and over 1000 jobs are related to the industry, 74% of which are high paying. She said VCIA works in partnership with groups and the state; it provides continuing education programs which are NASBA certified. The VCIA holds an annual conference at which 1200 people attend. She said the last conference represented 42 states and nine countries. She said the industry is built on the ability to attract and hire highly trained people. She said she became aware of the Board's view on experience obtained while working for captives and said that is why the industry is appearing before the Board. She said they all support the mission of high standards.

Merissa Bushey with Strategic Risk Solutions (SRS) said she has worked in the industry for seven years which includes 18 months with AON. She said she has sat for the CPA examination and is earning experience to qualify for licensure. She said she has participated in audits and several examinations with the Banking Insurance Securities and Health Care (BISCHA). She said she hopes her experience meets Board Rule 5.9 and qualifies her for licensure. She explained to the Board her role in "participating" with internal audits.

The Board noted that assisting with an audit does not meet the criteria of Rule 5.9.

Bob Gagliardi said he worked at KPMG for two years and during that time he was not designing audit programs. He said he was originally licensed in 1995 in Pennsylvania. He said his nine years' work experience with captives is much deeper than with KPMG. He said the experience is akin to public accounting experience.

The Board asked its guests to explain how they meet the requirement of independence.

Mr. Gagliardi said separate clients are independent companies. Anything illegal would be reported to the State which could mean the loss of their license. He said they could lose their license as managers. He said there is a degree of independence, and that it is in state's interest.

David Littlehale, CPA with SRS said he has worked for SRS for four years, worked in public accounting and also worked at BISCHA. He said based on his work history, his work with captives would have best prepared him and any other candidate for the CPA examination. He said he was required to file audit financial statements, must stay current, and interact with others for preparing and reporting. He said he interacts with bankers, auditors, actuary firms, etc. He said a person obtains great experience from captive insurance companies. Mr. Littlehale said the level of experience depends on the size and type of the firm.

The Board noted that the changes to the rules were necessary to meet changes in the accounting industry which were brought about by illegal or questionable practices (i.e., Enron, etc.). The Board indicated that all applicants' experience is evaluated against the same criteria as stated in Board Rule 5.9. The Board does not take a different view of captives. Each candidate is evaluated solely on his or her own total supervised work experience. The Board explained that applicants who have worked for "tax" or "industry" based firms face the same issues to meet 5.9. It is not a targeted rule. The changes in the rules were put in place to protect the public. Several groups are affected by the rule changes. Since a license as a Certified Public Accountant authorizes a person to perform audits and attest functions, the Board must be sure that an applicant meets the necessary criteria. These criteria apply to all applicants regardless of from where they are applying (in-state, out-of-state or another country). Licensure is not required to prepare income tax and other accounting functions. The Board noted that to deal with some of the global issues, the change in rules also include a requirement for applicants to have taken courses in U.S. Business Law and U.S. Income Tax.

Patrick Theriault with SRS said that clients are more reliant on them. He said they are involved in the planning process in some situations. He said experience does change depending on the firm and amount of time worked there, etc. People at the accounting manager level have more experience.

Chris Varin, CPA with Marsh said Marsh is a large firm in comparison to some. He said he has been there over 15 years. He said Title 26 provides latitude for the Board to accept experience under Rule 5.9. He said an applicant should be looked at as a whole, not just a small portion. He believes much of the experience is equivalent. He said captives follow the same basic practices and compilations and auditing services. By preparing to be audited 30 times a year, they are handling the steps and that exposure needs consideration. He said they want high standards. He said it is not appropriate to compare accounting managers' experience. He asked the Board to propose some guidelines and acknowledge that some experience would be equivalent. He asked if the 500 hours could be accomplished among responsibilities without only putting a signature on an opinion. He said they have to follow the same procedures for an audit and act at a level of independence in the interest of broader clientele.

The Board provided copies of its Report of Supervised Experience and noted that it often has concerns with how supervisors complete this form. The form asks for very specific information and it must make sense to the Board. Forms completed by supervisors for experience at captives, tax only public firms, practicing accountants versus public, industry, etc. are looked at carefully. As an example, the Board said that if all experience referred to internal audits and the supervisor answered yes to all questions, the Board would question the issue of independence which would require further explanation.

The Board indicated that all applicants are evaluated on a case by case basis. All applicants must meet educational, examination, and experience requirements. The Board's decision is based on its evaluation of those criteria. The Board noted that most all applicants are non-traditional which further verifies that the business is shifting and is in flux. The facts and circumstances regarding the applicant's level of work at a company, information with regard to independence, etc. must be submitted for evaluation and consideration.

Mr. Varin said they see that a lot of the experience is relevant and asks that the Board consider the depth of the experience.

The Board noted that it is open minded, but must adhere to the statute and rules. It is interested in what people do inside captives. Each person is different as is their level of experience.

Mr. Littlehale said he understands independence and levels of it. He said they have to answer to independent auditors, actuaries, captive insurance regulators, and clients which add up to the independence issue. They measure internal control procedures. He asked if the independence issue is worth denying a good candidate. Captives are centralized for all data which is evaluated to be sure it is calculated properly. It is more involved than audits.

Patti Pallito said they must be in compliance with their management agreement. They do not act as fiduciary over assets and do not make decisions for a client; it is made by the Board of Directors. They act independently in that regard. They do not issue a SAS 70 letter. They are compiling numbers for financial results and the parent company of the captive decides. She said they will indicate if they disagree.

Mr. Gagliardi said they prepare and sign off on a checklist which is a form of attestation. He said it is a compilation function although they do not issue an opinion. He said it is a quality control function before it goes to the client. He said he feels that this experience qualifies as meeting 5.9. He acknowledged the lack of independence in captive activities.

Mr. Varin said they do not issue a letter that says compiled, but do the experience leading up to it. He said that experience meets the elements of it and asked the Board to consider giving credit for that experience.

The Board reminded the group that applicants must work under the supervision of a licensed CPA (or other NASBA approved supervisors). Some applicants are unaware that their supervisor is not licensed which invalidates their experience. The Board indicated that it would not make a blanket statement with regard to experience. An applicant's qualifications are based on a case by case basis.

The group agreed that evaluating candidates on a case by case basis is good.

Patti Pallito mentioned a couple of people present who are in the process of obtaining their work experience, Tanh Nguyen and Heidi Dupont. She said they need guidelines for their staff to meet the experience requirement. She said they were under the impression that their experience would count towards licensure. Tanh Nguyen with AON said that about 80% of her experience is under the supervision of a licensed CPA.

The Board noted that the change in rules did not happen over night. It was in the rulemaking process for three years and involved input from the profession, public hearings, etc. The rules went into effect in August of 2003. The rules were based on the Uniform Accounting Act so that all states' requirements would be substantially equivalent. The Board noted that about 85 to 90 % of the jurisdictions have adopted these standards. The changes to the laws and rules affect several groups.

The Board has been consistent with regard to how candidates are evaluated under the current laws and rules. The Board noted that the roles within the captives have also changed, but experience has always been evaluated on a case by case basis.

Members indicated that this group before the Board is very resourceful, and is now aware of what the Board is looking for to satisfy requirements for licensure. The group discussed various scenarios with regard to an applicant's experience that could be accepted. The Board indicated that to make such a determination, it must have a completed application before it for consideration. Applications are evaluated on a case by case basis for education, examination and experience. The Board again reminded the group only a licensed CPA is permitted to sign off on an audit (attest functions). Therefore, public experience in that area is a must.

Ms. Lambert said they appreciated the Board's time to discuss this matter. She said she understands that the Board is responding to a set of rules. She said they all want high standards.

The Board indicated that a copy of the Minutes will be shared with its guests as soon as they are complete.