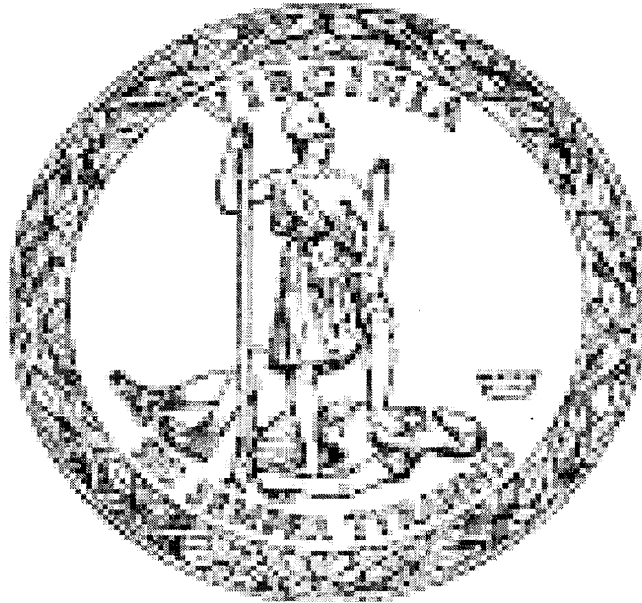


Commonwealth of Virginia



**Virginia Board of Accountancy
The Biennial Report for Fiscal Years
2005 and 2006**

**Report to the Governor and General
Assembly**

November 1, 2006



**COMMONWEALTH OF VIRGINIA
BOARD OF ACCOUNTANCY**

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Nancy Taylor Feldman
Executive Director/Agency Head

Stephen D. Holton, CPA
Chairman

Lawrence D. Samuel, CPA
Vice Chairman

O. Whitfield Broome, Ph.D., CPA
Board Member

Regina P. Brayboy, MPA
Board Member

Dian T. Calderone, MTX, CPA
Board Member

Tyrone E. Dickerson, CPA
Board Member

William E. Hunt, CPA
Board Member

November 1, 2006

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:

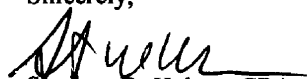
The Virginia Board of Accountancy (Board) is pleased to submit to you this report for the period: July 1, 2004 through June 30, 2006. It testifies to the Board's strong record of effectiveness in its first five years as an independent supervisory board. This report provides a statement about the Board's organization, its regulatory and enforcement activities, and financial impact on its licensees.

Since the last biennium, the Board has made several exciting and innovative changes. One major step was the creation of the Board's first long-range Strategic Plan. This step lays the groundwork for future achievement based upon identified mission, vision and goals.

One future achievement, which I will mention briefly, is the Board's assumption of the administration of the national uniform computer-based CPA exam (CBT) for Virginia candidates. This process began on August 15, 2006. The Board looks forward to presenting its next report. It will highlight how the use of information technology will make more efficient and effective the way Virginia candidates take the CBT, and also the way Virginia's licensed certified public accountants (CPAs) can manage their transactions with the Board.

The Board will continue to work diligently to make these and future innovative changes. On behalf of the Board, we thank you for the opportunity to serve you and the citizens of the Commonwealth.

Sincerely,


Stephen D. Holton, CPA
Chairman

MEMBERS OF THE VIRGINIA BOARD OF ACCOUNTANCY

The membership of the Board consists of seven members appointed by the Governor as follows: one citizen 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 appointment to the Board and one may be a CPA not engaged in the practice of public accounting at the time of his appointment but who has at least three years of experience in the accounting field prior to appointment.

Members of the Board serve a term of four years.

Stephen D. Holton, CPA
Chairman
First four year term ends
June 30, 2007
(Licensed CPA)

Lawrence D. Samuel, CPA
Vice Chairman
First four year term ends
June 30, 2008
(Licensed CPA)

O. Whitfield Broome, Ph.D., CPA
First four year term ends
June 30, 2007
(Educator Member)

Regina P. Brayboy, MPA
First four year term ends
June 30, 2008
(Citizen Member)

Dian T. Calderone, MTX, CPA
First four year term ends
June 30, 2008
(Licensed CPA)

Tyrone E. Dickerson, CPA
First four year term ends
June 30, 2009
(Licensed CPA)

William E. Hunt, CPA
First four year term ends
June 30, 2010
(Licensed CPA)

Members of the Board who are not state employees are compensated at the established per diem rate (currently \$50 per day) for engaging in most Board business and reimbursed for certain expenses when incurred in the performance of official duties of the Board.

MISSION STATEMENT

To assure the public that any accountant representing themselves as a CPA or CPA firm complies with all applicable laws and regulations of the United States and the Commonwealth of Virginia.

VISION

Confidence and trust in Certified Public Accountants

CORE VALUES

Serving the Public Interest

Conducting all matters and making decisions that reflect our primary obligation to earn the trust and confidence of the public we serve.

Vigilance

Remaining constantly aware of changes to applicable laws, regulations and standards that demand adherence and compliance.

Ethical Behavior

Promoting and emphasizing standards of professional conduct that are expected of all CPAs that provide accounting services.

Quality of Service

Demonstrating customer responsiveness and quality support to all potential stakeholders in a manner that sets the standard for professionalism.

Independence

Being ever vigilant to avoid any potential situation or action that may create an actual or perceived conflict of interest.

Effective Communications

Striving for timely, accurate and needed communications with all constituencies.

GOALS AND OBJECTIVES

Goal #1 – Improve awareness of and compliance with standards of practice.

- A. Objective - Monitor and update ethics training and education.
- B. Objective – Collaborate with various professional institutions to disseminate knowledge of the standards of practice.
- C. Objective – Enhance routine/continuous communications of important information.
- D. Objective – Evaluate and enhance utility of newsletter on a regular basis.
- E. Objective – Implement a strategy to gain input into the improvement of the CPA examination process.

Goal #2 – Heighten the public’s awareness of the Board’s role and responsibilities.

- A. Objective – Incorporate user-friendly information on the Board web site.
- B. Objective – Develop public service announcements and media programs.
- C. Objective – Establish a “Speakers Bureau” with target audiences and presentation programs.
- D. Objective – Minimize the potential to be confused with other agencies and/or professional organizations.

Goal #3—Simplify the statutes and regulations to which CPAs and CPA firms must adhere.

- A. Objective – Implement a broad-based approach to promulgating and revising statutes and regulations.
- B. Objective – Simplify existing regulations or, if that is not practical, develop ways to make them easier to apply.

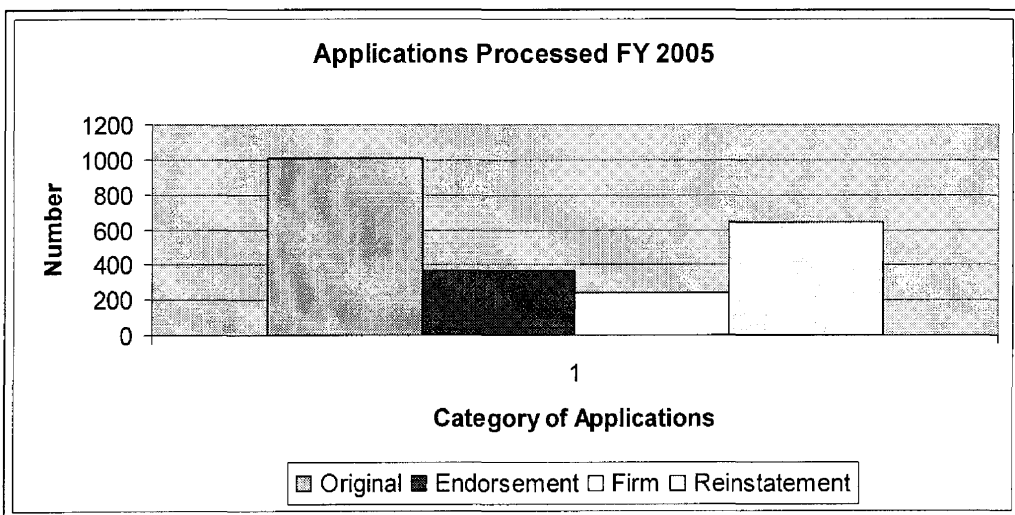
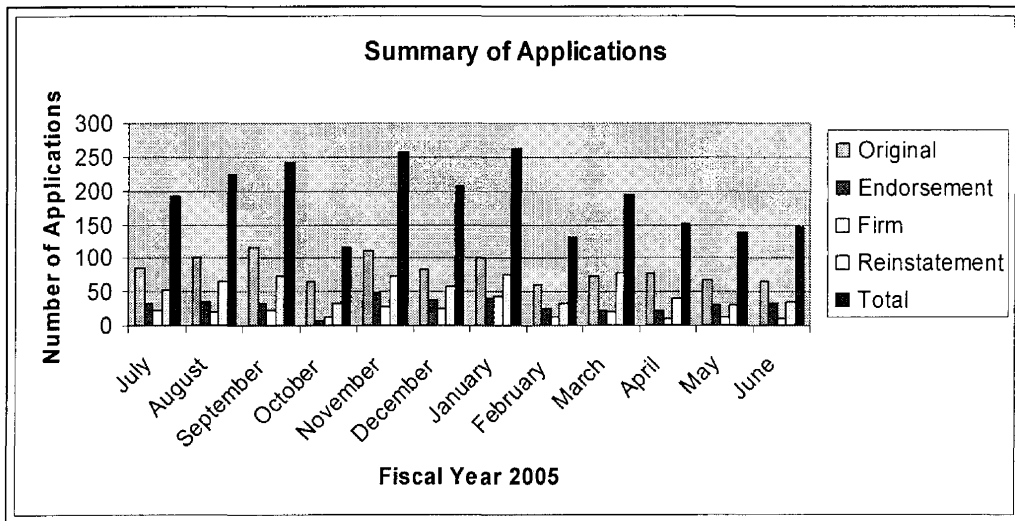
Goal #4 – Improve the effectiveness and efficiency of CPA examination administration.

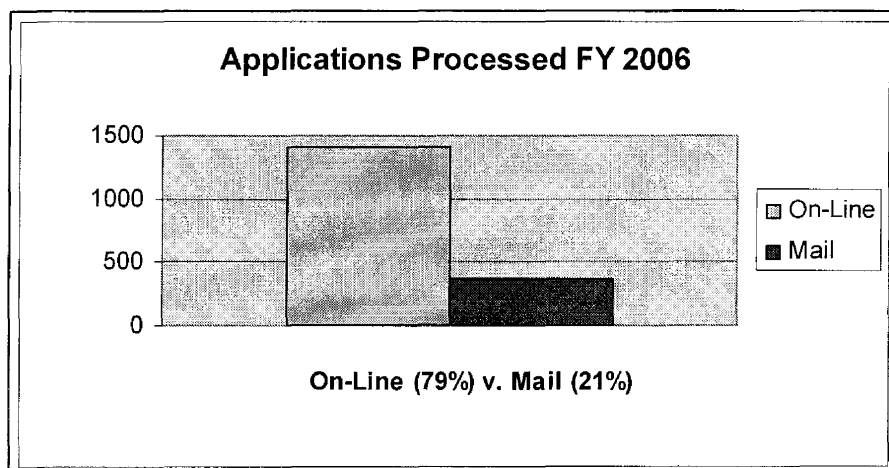
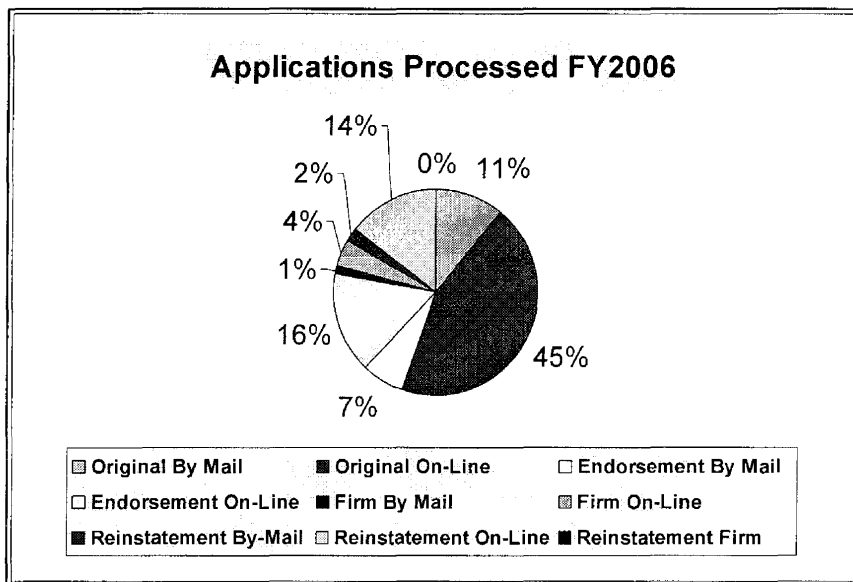
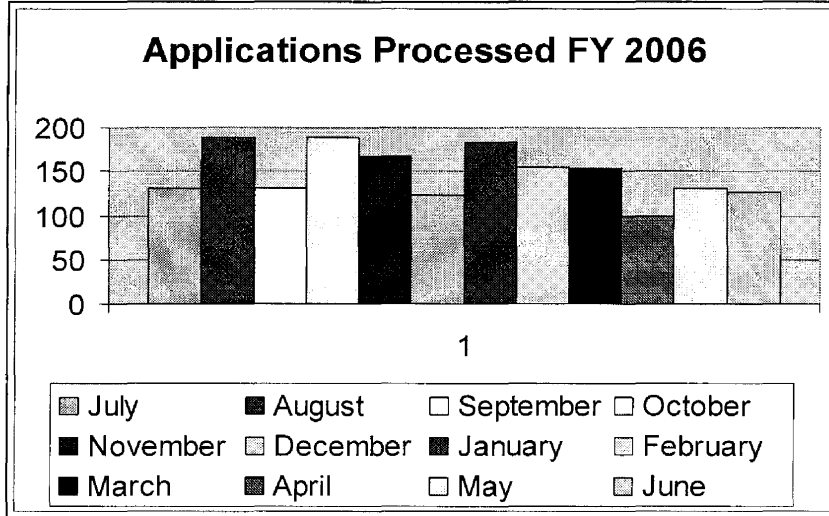
- A. Objective – Bring examination administration in-house.
- B. Objective – Hire and train staff to facilitate assessment process.
- C. Objective – Develop and implement application software.
- D. Objective – Benchmark and identify best practices employed by other organizations.

CERTIFICATION PROCESS

One major activity of the Board is to process initial and renewal applications for certified public accountant (CPA) certificates and a CPA firm permit. 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. 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 that means meeting the continuing professional education (CPE) requirements; for a CPA firm permit holder, it is determining the compliance with the peer review requirements. These processes are absolutely necessary in order to protect the public.

The charts below list a summary of the number and type of applications filed in FY2005 and FY2006.



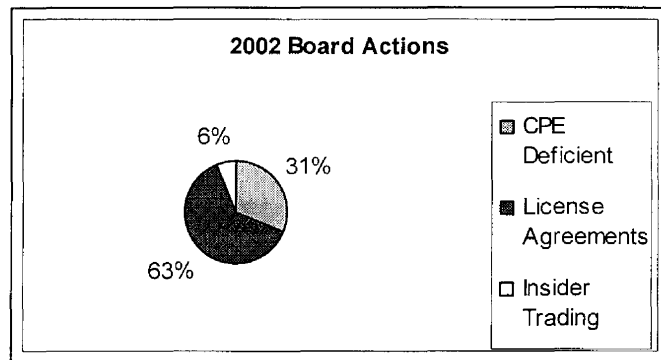


ENFORCEMENT PROCESS

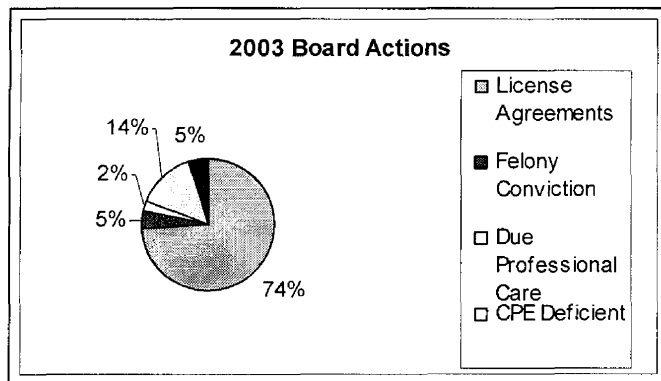
No activity of the Board is more important than its enforcement process. One of the major committees of the Board is the two-member Enforcement Committee. The mandate of this Committee is to review information compiled by the Board’s investigative staff, and to determine the substance of violations of the statutes and regulations governing the practice by CPAs and CPA firms. After careful deliberation by the Committee, it will recommend appropriate action to the full Board for final disposition. Complaints may be filed by way of the Board’s web site at <http://www.boa.virginia.gov>; this online availability makes it very convenient for Virginia citizens. The Committee strives to enhance the efficiency and effectiveness of resolving complaints by using consent agreements, and by adopting mediation as a method of dispute resolution in certain cases.

The charts below, representing information gathered since the Board became an independent supervisory board on July 1, 2001, indicate the complex issues handled by the Board.

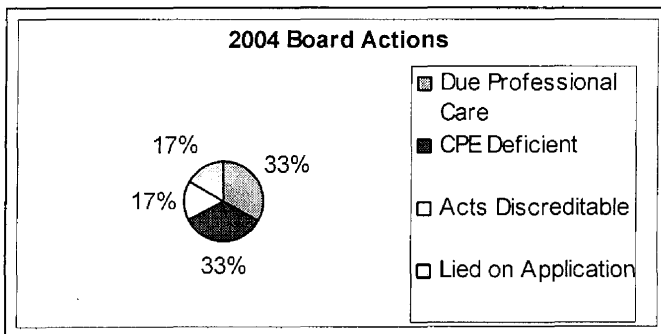
FY2002



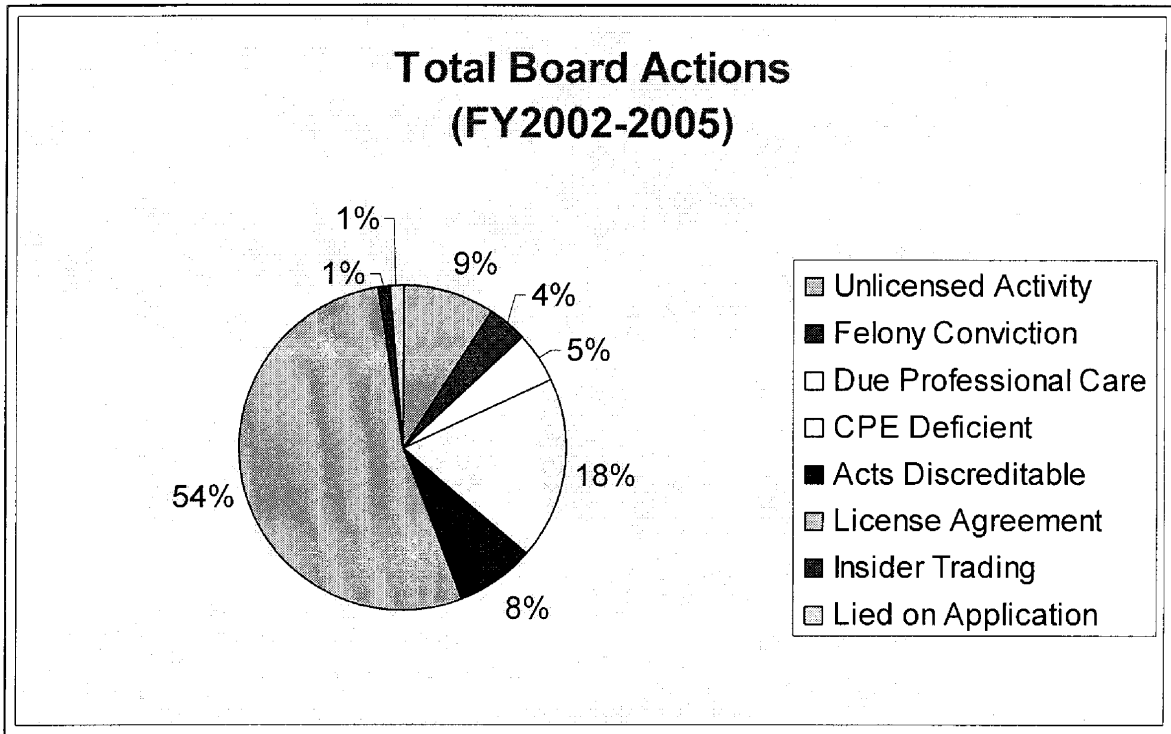
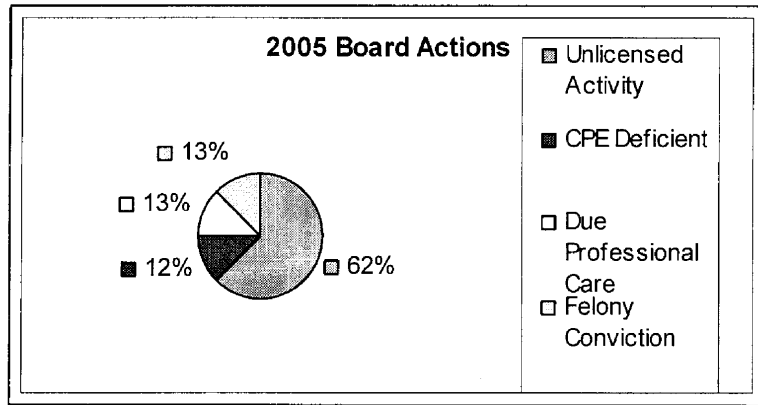
FY2003



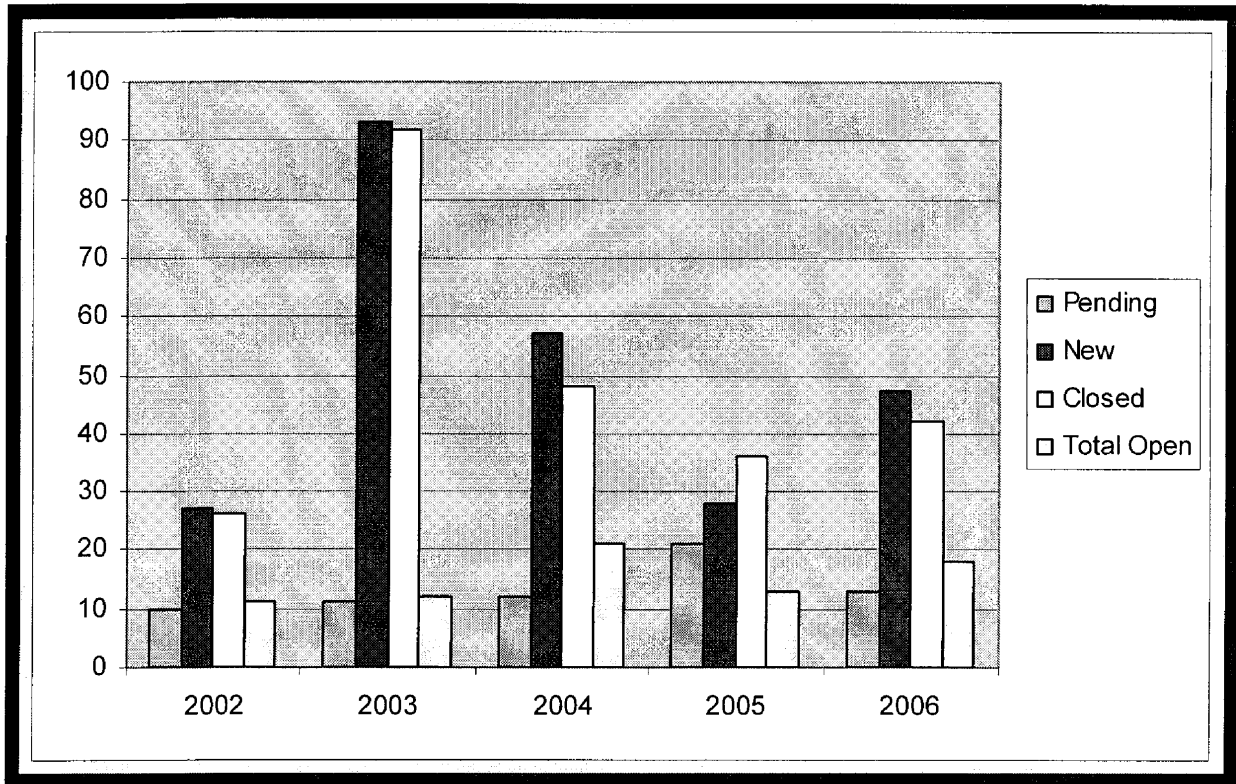
FY2004



FY2005



This chart indicates the number of complaints filed with the Board in each fiscal year. Of note is the high number of new cases opened each year, along with the similarly high number of those cases closed due to the efficient and effective work of the Board investigative staff in conjunction with the Enforcement Committee.



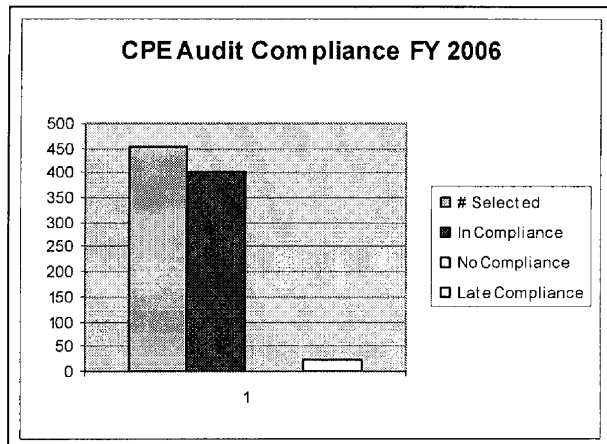
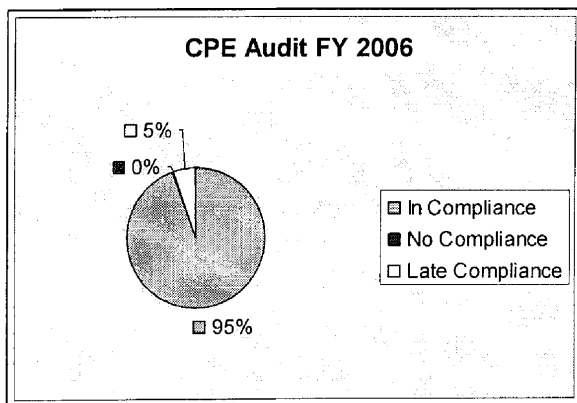
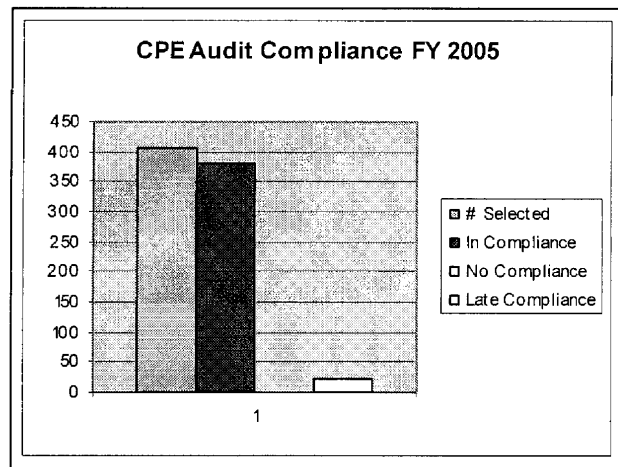
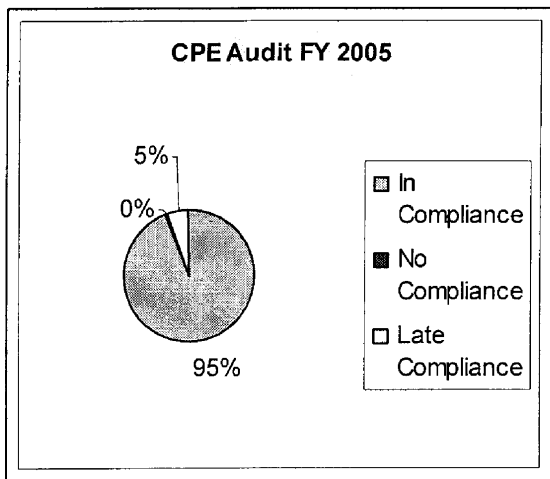
CONTINUED COMPETENCE

Another major activity of the Board, fulfilling its mandate to protect the public, is to ensure the continued competence of CPA certificate holders and CPA firm permit holders.

Beginning in FY2003, the Board began a monthly random audit of licensed CPAs to gather such documentation as required to assess their compliance with the Board's requirements for continuing professional education (CPE).

The Board is currently working on preparing an audit procedure to monitor the compliance of CPA firms with the Board's peer review requirement. This audit procedure is due to begin in FY2007.

These charts indicate the results of the CPE audits held in FY2005 and FY2006.



FINANCIAL ACTIVITIES

The Board takes seriously its efforts to maintain cost-effective and efficient operations to provide services to Virginia CPA certificate holders, CPA firm permit holders, and the public. To that end, the Board is tracking the cost of its services to its licensees (or regulants) over the last five years.

The top table and chart indicate those costs for both CPAs and CPA firms. The bottom chart identifies the total number of regulants (individual CPAs and CPA firms) from FY 2002 to FY 2006.

<u>Year</u>	<u>Total Expenditures</u>	<u>Cost Per Regulant</u>
2001	\$569,173	\$32.09
2002	\$487,530	\$26.78
2003	\$547,200	\$29.63
2004	\$466,105	\$24.54
2005	\$588,061	\$29.06

