

STATE OF CONNECTICUT



*AUDITORS' REPORT
STATE BOARD OF ACCOUNTANCY
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007 AND 2008*

AUDITORS OF PUBLIC ACCOUNTS

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June 21, 2010

**AUDITORS' REPORT
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FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007 AND 2008**

We have examined the financial records of the State Board of Accountancy for the fiscal years ended June 30, 2006, 2007 and 2008. This report on that examination consists of the Comments, Recommendations, and Certification which follow.

Financial statements pertaining to the operations and activities of the State Board of Accountancy are presented on a statewide basis and are audited through the Statewide Single Audit that includes all State agencies. This audit examination has been limited to assessing the Board's compliance with certain provisions of laws, regulations, contracts and grants, and evaluating the Board's internal control policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The State Board of Accountancy operates under Connecticut General Statutes (CGS) Chapter 389. The Board is chaired by Thomas F. Reynolds, CPA; day-to-day operations are conducted by Executive Director David L. Guay and his staff. From January 1, 1986 until June 30, 2005 the Board was contained within, and subject to the audit of the Office of the Secretary of the State. Public Act 05-287 amended Section 20-280, subsection (e), of the General Statutes to allow the Board to function as an autonomous agency under the Office of Policy and Management for "administrative purposes only." The Office of Policy and Management provided human resource, payroll, and fiscal services to the State Board of Accountancy during the audited period. We note that Public Act 08-185 further amended the above mentioned section of the statutes, removing the role of the Office of Policy and Management. Subsequent to the audited period, human resource, payroll, and fiscal services were provided to the Board by the Department of Administrative Services under Memoranda of Understanding.

Auditors of Public Accounts

The function of the Board is to protect the users of services rendered by Connecticut licensed accountants by regulating the authorized practice of public accountancy within the State of Connecticut. The Board establishes the requirements for individuals and firms seeking licensing to practice public accountancy within the State of Connecticut and issues licenses to those individuals and firms that meet the criteria established. The Board imposes sanctions for violations of the regulations by licensees, unlicensed individuals or firms practicing unlawfully through fines, suspensions and debarments.

Board Members:

Under the provisions of Section 20-280, subsection (a), of the General Statutes, the Board's nine members are appointed by and serve terms coterminous with that of the Governor, or until their successors are appointed. No board member may serve more than two successive full terms. Members of the Board are not compensated for their services but are reimbursed for reasonable expenses incurred in performing their duties. The Board on June 30, 2008, was comprised of five Connecticut residents who hold current, valid licenses to practice public accountancy within the state and four Connecticut residents who do not:

Thomas F. Reynolds, CPA, Chairman

Richard P. Bond

James S. Ciarcia

Philip J. DeCaprio, Jr., CPA

Richard H. Gesseck, CPA

Leonard M. Romaniello, Jr., CPA

Richard L. Sturdevant

Martha S. Triplett, Esq.

Michael Weinshel, CPA

Martha S. Triplett, Esq. was appointed by the Governor on October 11, 2007, to replace Berthann Jones, who resigned in September 2006. The remaining members served on the Board for the entire audited period.

RÉSUMÉ OF OPERATIONS:

General Fund revenues totaled \$ 2,183,873, \$ 2,302,223, and \$ 2,466,203 during the fiscal years ended June 30, 2006, 2007 and 2008, respectively. A comparison of total revenues during the audited period and the fiscal year ended June 30, 2005, is presented below:

	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
Licensing and Renewal	\$ 1,872,675	\$ 2,100,763	\$ 2,209,770	\$ 2,321,844
Examination Fees	236,969	77,235	86,378	130,149
Fines	20,350	5,875	6,525	14,210
Other Receipts	2,263	-	(450)	-
Totals	<u>\$ 2,132,257</u>	<u>\$ 2,183,873</u>	<u>\$ 2,302,223</u>	<u>\$ 2,466,203</u>

The decrease in revenues from examination fees from fiscal year 2005 to fiscal year 2006 was due to a change in examination methodologies and requirements instituted during fiscal year 2006. The Other Receipts were fees collected in fiscal year 2005 that are no longer collected.

General Fund expenditures totaled \$253,502, \$343,966, and \$412,974 during the fiscal years ended June 30, 2006, 2007 and 2008, respectively. General Fund expenditures for fiscal year 2006 included \$1,283 in capital expenditures. Capital Equipment Purchase Fund expenditures totaled \$6,382 for fiscal year 2006. A comparison of total expenditures during the audited period and the fiscal year ended June 30, 2005, is presented below:

	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
Personal Services	\$ 153,814	\$ 200,663	\$ 268,838	\$ 315,643
Other Non-Capital Expenses	50,705	51,555	75,128	97,331
Capital Equipment	-	7,666	-	-
Totals	<u>\$ 204,519</u>	<u>\$ 259,884</u>	<u>\$ 343,966</u>	<u>\$ 412,974</u>

The increase in personal services costs during the audited period was due to additional staff and cost-of-living increases. The Other Expenses consist primarily of office supplies, reimbursements to Board members, and data and bank charges related to collection of revenue. The capital expenditures consist of the purchase of data processing equipment.

CONDITION OF RECORDS

No significant or material exceptions were noted as a result of this examination.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

This examination represents the first audit of the Board since it was made autonomous pursuant to Public Act 05-287. Therefore, no prior recommendations exist.

Current Audit Recommendations:

No recommendations were developed as a result of this examination.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the State Board of Accountancy for the fiscal years ended June 30, 2006, 2007 and 2008. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the State Board of Accountancy for the fiscal years ended June 30, 2006, 2007 and 2008 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the State Board of Accountancy complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

In planning and performing our audit, we considered the Board's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Agency's internal control over those control objectives.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be

material in relation to the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the Agency's financial operations, and compliance with requirements would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Agency's financial operations and compliance with requirements that we consider to be material weaknesses, as defined above.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 2006, 2007 and 2008, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the State Board of Accountancy during the course of our examination.

Brian F. Dempster
Auditor I

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts