

**Illinois Board of Examiners Meeting  
October 19, 2010- 10:00 AM – 3:00 PM  
Illinois CPA Society-Building Conference Room  
550 W. Jackson Blvd., Chicago, IL**

**Mr. Hull called the meeting to order at 10:04 a.m.**

**Present: Cheryl Wilson, Rick York, Penny Yunker, Claireen Herting, Dennis Bielke, Gary Fish, Tom Winkler, Ken Hull, Myra Swick, Margaret Cartier**

**Staff present: Russ Friedewald, Executive Director  
Robbin Burge, Assistant Director  
Vicki Van Uithoven, Assistant Director  
Debbie Knight, International Evaluator**

**Absent: Sharon Morrow**

**Mr. Hull thanked Debbie Knight for her attendance and announced the hearing scheduled for this board meeting had been cancelled.**

**Dr. Fish suggested that the chair arrange the agenda in a manner the chair feels appropriate given the fact three members were not yet present. Ms. Herting moved that the Chair be permitted to arrange agenda to his convenience. Ms. Cartier seconded. Motion passed by voice vote.**

**Dr. Yunker asked that a discussion regarding the suspension of the 18 month requirement for military personnel service be placed on the agenda under New Business. Mr. Hull agreed.**

**1. Mr. Hull asked for a motion to approve the August 17, 2010 minutes. Ms. Cartier asked about the “To Do List” and suggested it be associated with the previous board meeting minutes. It was agreed the “to do list” will be associated with the prior board meeting minutes and include any items for board member assignment as well as staff assignment. Motion was made and seconded to approve the minutes and motion carried by voice vote.**

**Mr. Hull followed Dr. Fish’s suggestion regarding the agenda and asked Dr. Fish to give his report on financials.**

**2. Finance Committee report—G. Fish**

**Dr. Fish expressed he had reviewed the financials and had nothing further to add, but that he suggests adding footnotes to the financials to provide an explanation as to what the balance represents. Dr. Fish also suggested the Finance Committee should come up with new disclosure policies.**

**Mr. Hull pointed out that while we are currently showing a deficit, it is due to the one time pay out for the retirees from the retirement incentive program offered by the university.**

### **3. Report of the Executive Director—R. Friedewald**

- a. Mr. Friedewald reported that for the previous testing window, there were 2978 test sections taken. This is a larger number from the previous window. He also reported that the number of candidates is up overall for the year. Mr. Friedewald presented the scores for signature.**
- b. Mr. Friedewald reported there is a procurement policy for purchase of new products or software and all procurements must go before the state procurement board for approval. The university processes the request and forwards to the procurement board for their review and approval or denial.**
- c. Mr. Friedewald reported Illinois is now officially a member of the Accountancy Licensing Data program ( ALD ) and is providing data on a weekly basis to the ALD database.**
- d Mr. Friedewald reported that he and Dr. Fish attended the CLEAR conference in Nashville. Both Dr. Fish and Mr. Friedewald agreed the conference was excellent.**
- e. Mr. Friedewald reported he finally got a clean copy of the changes to the Administrative Rules amendment and that he anticipates they will be published in the next Illinois Register.**
- f. Mr. Friedewald provided a copy of the state of Washington retention policy as an example of agency retention policies. He also advised he will be contacting the IDFPR for their policies.**
- g. Mr. Friedewald asked if everyone had received their board manuals and explained it was not complete, but that more would be forthcoming. Ms. Cartier suggested more attention should be paid to the Executive Summary and that the Executive Summary currently in the NASBA manual should be used as an example of what ours should reflect. The Board also discussed including policies in the manual, but ultimately decided the manual was not the place for board policies.**

### **4. Report of the Chair—K. Hull**

- a. Mr. Hull reported on the current relationship with the University of Illinois and gave an overview of the two meetings held with the university. Mr. Hull reported on the meeting the Vice President of OBFS and the Vice Chancellor for Student Affairs as well as several other university representatives. Mr. Hull expressed that the university desires to separate from the BOE because we are a state agency, that their resources are limited and that they feel all of their resources should be used to support university initiatives. The university feels the money we provide is not a part of their decision to separate.**

**Mr. Hull expressed that issues we face include transferring employees from university employees to state employees. The other major issues facing the board include our current financial arrangements with the university and how we are to protect our resources. Staff morale is also a major consideration during this period.**

**Mr. Hull advised the board that the university has a time frame for this transition which is targeted for August of 2011. Mr. Hull expressed that we need to concern ourselves with the financial and record keeping processes provided to us by the university as well as our investments. The question now is; what is our future? Will we become a semi-independent agency, merge with IDFPR or send our business to CPAES?**

**Mr. Hull shared that the university has put together a transition team that can/will meet weekly as needed to get through the separation.**

**Mr. Hull expressed that we need action plans to move forward. The first issue related to the employees and Mr. Hull explained there were two types of employees; academic professionals and civil service employees. There are currently four academic professionals, three civil service employees and four temporary employees in four vacancies. Academic Professionals are under a one year contract commencing in August and will continue working with us on the current contract. They are entitled to one year notice and the university will give them notice on January 1, 2011 which will then extend their contract with us until December 31, 2011. They will be terminated at this time unless employed by the university or agree to transition to state employment with the board. The civil service employees can stay with the university if they decide not to transition to the state. They will have “bumping” rights to positions with the university if they decide to stay with the university. Mr. Hull expressed that should the employee stay with the university and the employee were placed in a position with a lower salary, the policy of the university is that we would be liable for the difference until such time the employee separates from the university. There is a question as to whether the board would be held to a university policy.**

**There was discussion relative to suggestions for moving forward including aligning with another university, becoming a semi-independent state agency or some other approach. In summation, Mr. Hull directed that Mr. Friedewald contact CMS regarding the transition of employees. Mr. Hull will make an appointment to inform Elaine Weiss of our issues. Mr. Hull also directed Mr. Friedewald to contact an attorney recommended by the Society in order to determine what our legal options are.**

## **LUNCH**

### **5. Candidacy Committee—R. York**

**a. Mr. York reported on the appeals the Candidacy Committee considered since the last board meeting. Mr. York reported the Committee granted a total of four variances to candidates. Mr. Hull reminded the board that a ratification of the variances must be approved by the board. A motion was made by Ms. Swick to allow Mr. Hull, as Chair, to sign the variances on behalf of the whole board. Mr. Winkler seconded the motion and the motion passed by unanimous voice vote.**

b. Mr. York discussed the site visits and that assignments need to be made to new members for site visits. Mr. York will circulate the list again.

**6. Administrative Committee—C. Wilson**

a. Ms. Wilson introduced Ms. Jeannie Folk who provided an overview of the project she has done on behalf of the Board relative to the current ethics examination and her recommendations for moving forward. Ms. Folk discussed the requirement for candidates to complete the AICPA course as a condition for certification. Ms. Folk advised that the ethics course today is less rigorous than in past years. She looked at several other options, but felt the best option was an AICPA Real World Business Ethics course. It is a 16 hour course that Ms. Folk indicated took her much longer to complete. She thought the course was too long (12 cases) and suggested that if AICPA would shorten the course to 6-8 cases, it would be a good alternative to what our board currently uses. Ms. Folk's recommendations are: 1) work with the AICPA and the real world course, but to get it reduced to a manageable level and use it, or 2) drop the comprehensive examination since about 20-25% of the Audit section will contain code of conduct questions beginning in 2011. Ms. Folk also suggested that if we keep the ethics exam, we should impose a time frame for completion since many candidates never complete the ethics course after passing the CPA exam.

Mr. Friedewald advised the Executive Director's meeting in March will include a discussion on ethics.

Ms. Wilson's suggested we stay with the current exam for the time being until we get feedback from the Executive Director's conference and if we get enough information to move forward with approaching the AICPA for a change, we should do that. Mr. Hull suggested we could monitor the comprehensive course for any changes that may come about. Mr. Hull also suggested we could share Ms. Folk's findings with the other 24 states that use the exam to get them on board to approaching the AICPA to make changes to the exam or that we always have the option to send our comments to the AICPA regarding suggested changes.

Ms. Wilson related that due to the short time left to work with Ms. Folk, a lot of definitional issues relating to integration and the changes to the educational requirements need to be determined and that Ms. Folk will work with those issues and keep the definitions as broad as possible. Ms. Wilson stated our plan was the developmental approach to a documentation guide for ethics communication and research and analysis and then try to do a focus group to develop a template to integration and then distribute that to the schools. We are using the time we have left to develop a documentation guide for implementation issues. There is no time for focus groups and we probably won't have a template developed. We'll take what we can from the first phase and report at the next board meeting what we have and then figure out how to do the rest during the next phase; perhaps hire Ms. Folk to do that. We are planning to share that info with colleges and universities at the next EATF meeting and gather information back from them with input. We will try

to get to the more complicated integration issues during the EATF meeting. Definitions for integration are broad and schools are looking to us for the definitions.

Mr. Hull thanked Ms. Folk for coming to the meeting and presenting her information.

**7. Nominating Committee—M. Swick**

Ms. Swick advised the board that Jack Rogers and Dan Cadigan have agreed to serve on the Nominating Committee. Following the NASBA annual meeting, Ms. Swick will have a conference call with the new members to bring them up to date.

**8. Education Advisory Task Force—P. Yunker**

Dr. Yunker advised the EATF meeting is scheduled for March 11<sup>th</sup> at Illinois State University.

**9. State Liaison Committee—Ms. Cartier**

Ms. Cartier had no report.

**10. Strategic Planning—K. Hull**

Mr. Hull indicated he will not schedule a strategic planning meeting until we know the direction the board will take in coming months.

**NASBA/AICPA COMMITTEE REPORTS**

**11. Audit—K. Hull**

Mr. Hull reported the committee met to review the report of auditors. The financial statements will be available at the annual meeting. Mr. Hull reported the committee had no problems with the auditors and agreed to rehire them. The committee reviewed the Audit charter and will propose changes to the board. Mr. Hull had one issue with the charter as it relates to the committees requirement to request NASBA's Executive Committee permission to use outside consultants such as an attorney regarding questions about internal processes. Mr. Hull believes the committee should have independent authority to investigate as they feel necessary. Mr. Costello and the audit committee chair did not agree with him and the restrictions remain.

**12. Bylaws—C. Herting/M. Swick**

Ms. Herting related the board has approved the bylaws changes and that they will be presented at the annual meeting. Ms. Herting indicated the changes were distributed at regional meetings and all had the opportunity to review them. Ms. Herting indicated there should be no problem in getting them approved.

**13. St. Bd. Relevance & Effectiveness Committee—M. Cartier/C Wilson**

**Ms. Wilson shared a letter from North Carolina supporting the position paper of the committee relating to semi-independent status for boards. Ms. Wilson felt Illinois should submit a letter similar to that of North Carolina and offered to draft a letter to Mr. Johnson with a copy to David Costello. Mr. Hull asked that Ms. Wilson draft a letter to Mr. Johnson and copied to Mr. Costello through Louise Haberman in New York.**

**14. Nominating Committee—M. Swick**

**Ms. Swick had no report.**

**15. Relations with Member Boards—C. Herting**

**Ms. Herting had no report.**

**16. BOE & BEC—Internationalization of Exam—G. Fish**

**Dr. Fish reported there is a large study on item development underway. Dr. Fish indicated that it now takes about two years for a new item to make it on to the exam. It is the desire of AICPA to reduce that time frame. Dr. Fish shared that the AICPA is introducing a new website designed to attract CPAs at a younger age.**

**Dr. Fish advised the board that the AICPA Board of Examiners division is moving their office to Ewing, NJ.**

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**Dr. Yunker suggested the board adopt a policy to suspend the 18 month rule for completion of all exam parts for military personnel serving overseas. No board action was taken. Mr. Friedewald will draft a policy and present it to the Administrative Committee for further development.**

**Mr. Hull reminded the board that dinner in San Antonio will be on Monday night and extended an invitation to Marty Green and Jennifer Schultz to join us.**

**ADJOURNMENT**

**Mr. York motioned to adjourn at 2:50 pm**

