

**Written Testimony of James Ciarcia Member of the Connecticut State Board of  
Accountancy concerning Senate Bill 839**

March 16, 2009

Respectfully Submitted to the Government Administration and Elections

Committee by: James S. Ciarcia

Good Morning, Senator Slossberg, Representative Spallone and members of the Government Administration and Elections Committee

I am James Ciarcia, a public member of the State Board of Accountancy.

I would like to echo previous testimony by our Board Chairman to the General Government Sub-Committee of Appropriations, concerning your major task of dealing with the State's financial issues.

In the course of your deliberations on Senate Bill 839 which calls for the State Board of Accountancy to be merged into the Department of Consumer Protection, I would ask that you consider the following:

The current proposal calls for the State Board to become part of the Department of Consumer Protection. History is repeating itself, as the Board operated under DCP from 1978 to 1985 until it was evident that the relationship was inappropriate, ineffective, and harmful to the citizens of Connecticut

The DCP primarily licenses and regulates building related trades and occupations. The work performed by the State Board is very technical in nature, and goes well beyond simply issuing licenses:

- We and our professional staff work with the SEC, IRS, PCAOB and other regulatory bodies regarding conduct by licensed CPAs for tax fraud matters and improper audits of financial statements.
- We also investigate claims against CPAs by Ct citizens
- We regulate the continuing education requirements of licensees
- We oversee the quality review program for CPAs issuing financial statements.

The current proposal also calls for the elimination of two positions and paves the way for the elimination of our Executive Director. The State

Board office already operates with a minimal staff to administer to all of the technical and legal requirements of our profession.

The Board generates revenues far in excess of its expenses. Annual revenues are \$2.5 million, yet the cost to operate the Board is approximately \$425,000. It is a truly an efficient and cost effective operation.

The public and current economic conditions are calling for greater regulation and oversight of the financial services arena. We have hopefully learned from the past with the likes of Cendant, Arthur Andersen, Colonial Realty here in Connecticut and Xerox, all of which involved accounting improprieties.

Most recently, the fiasco of Mr. Madoff has caused the creation of several enforcement cases by the Board, those investigations are currently ongoing. Additional concerns center on our State becoming a major hedge fund capitol, which brings with it the need for more oversight. More regulation and oversight in New York, with its lack of a peer review program, like the one we have in Connecticut, may have prevented the Madoff fiasco.

Protecting the public and regulating the accounting profession is a core function of government. A diminished focus under the Department of Consumer Protection and a reduction in staff will again harm the public as it has in the past. We've been there done that.....The safeguards and economic benefit that the State currently receives from the State Board of Accountancy as a result of its minimal cost of operations concludes that no changes should be made to the current structure of the State Board and its staffing.