

Memorandum

ECC Agenda Item VI.
September 21, 2010

To : ECC Members

Date : August 26, 2010

Telephone : (916) 561-1740

Facsimile : (916) 263-3676

E-mail : dpearce@cba.ca.gov

From : Deanne Pearce, Chief
Licensing Division

Subject : ECC Directives and Goals

As noted in the previous agenda item, the California Legislature established, under the jurisdiction of the California Board of Accountancy (CBA), the Advisory Committee on Accounting Ethics Curriculum – now being referred to as the Ethics Curriculum Committee or ECC – with the express intent to recommend to the CBA ethics study guidelines for the new 10 units of ethics education that will be required for licensure beginning January 1, 2014. The bill established the composition of the ECC at 11 members.

The ECC Chair will communicate to the CBA at its meetings on the progress and activities of the ECC.

For this agenda item, staff will provide an overview of the following topics: (1) CBA directives for the ECC, (2) goals of the ECC, and (3) support activities provided by CBA staff.

CBA Directives for the ECC

At its November 2009 meeting, the CBA laid out specific directives regarding how the ECC will work towards the development of the new 10 units of ethics education. Specifically, the CBA provided the below directives to guide the ECC's work.

1. The ECC will meet a minimum of four times per year, with the meetings to rotate between northern and southern California, and held at low or no-cost locations. (One caveat to this is the present state's budget impasse. Until such time as a budget is signed, all meetings will be held in Sacramento.)
2. The ECC shall determine the appropriateness and feasibility for obtaining 10 units of ethics education.
3. The ECC, in consultation with the Accounting Education Committee, will ensure the 10 units of ethics required to meet the new ethics education cannot be double counted and applied to the 20 units of accounting study.

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Goals of the ECC

The primary goal of the ECC, as outlined in Senate Bill (SB) 819, is to provide the CBA with guidelines on the new 10 units of ethics education required for licensure. As defined in SB 819, these units must come from a program of learning that provides students with a framework of ethical reasoning, professional values, and attitudes for exercising professional skepticism and other behavior that is in the best interest of the investing and consuming public.

With this legislative charge, as well as the remaining requirements of SB 819 and the CBA's directives in mind, staff have identified the below goals for the ECC to address over the coming meetings.

1. Develop a calendar for meetings and the topics the ECC will discuss at each meeting

This will be one of the primary tasks for the ECC's first meeting. In considering how best to develop a calendar for meetings, the ECC should note that SB 819 places strict deadlines on the ECC and CBA. No later than June 1, 2012, the ECC must provide the CBA with the ethics study guidelines. The CBA must then adopt the ethics study guidelines via regulations no later than January 31, 2013 (without making any substantive changes). Based on a proposed quarterly meeting schedule, that leaves the ECC a total of approximately six meetings (including this one) in which to provide the ethics study guidelines to the CBA.

The CBA has allowed for additional meetings should members wish to meet more frequently than quarterly, in order to provide the CBA with the ethics study guidelines earlier. This would allow for the CBA to promulgate regulations sooner thereby allowing colleges and universities to begin advising students on the new educational requirements. In addition, as topics are discussed and prior to each meeting, the ECC could employ the use of subcommittees and working groups (as allowed for in the Bagley-Keene Open Meeting Act) to assist in the committee's work.

One other issue of note is that the CBA President has requested the final two ECC meetings be held in conjunction with CBA meetings. CBA meetings occur every other month beginning in January.

To assist the ECC in working its meetings into the CBA's calendar, provided in **Attachment 1** are the CBA's Year-At-A-Glance calendars for 2010 and

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2011. These calendars provide dates on which CBA and other committee meetings are scheduled.

The finalized calendar adopted by the ECC at this meeting will be presented by the ECC Chair to the CBA at its September 22-23, 2010 meeting for review and approval.

2. Establish an ECC purpose statement

It was suggested that at the first meeting, ECC members may wish to establish a committee-specific purpose statement in order to provide a framework for its upcoming activities. Staff have penned a possible purpose statement for the ECC based on the legislation. Members should feel free to edit, revise, or pose additional purpose statements for consideration. After ECC adoption of a purpose statement at this meeting, the ECC Chair will submit to the CBA at its September 22-23, 2010 meeting for review and approval.

“The purpose of the Ethics Education Committee is to provide the California Board of Accountancy guidelines for the additional 10 units of ethics education required for CPA licensure effective January 1, 2014, based on the core values of integrity, objectivity, and independence.”

3. Develop and submit the ethics study guidelines to the CBA

As noted earlier, the ECC must submit the ethics study guidelines to the CBA no later than June 1, 2012. As part of the development process, the ECC will need to consider the appropriateness and feasibility of obtaining 10 units of ethics education for CPA licensure beginning January 1, 2014, as well as what courses and programs will qualify for the 10 units of ethics education.

In addition to calendaring out meeting activities for the ECC, for this meeting, members will also begin discussion on this topic. Staff have provided a memorandum for this topic under **ECC Agenda Item VII**.

4. Issue a report during the public comment period

SB 819 requires that the ECC issue a report during the public comment period. To provide some background, in order to adopt regulations, pursuant to California’s Administrative Procedure Act, the CBA must notice the proposed regulations and allow for a 45-day public comment period prior to

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conducting a public hearing on any proposed regulations. At the conclusion of the public hearing, the CBA may choose to adopt the proposed regulations, taking into consideration any public comments.

At this time, SB 819 does not provide any detailed information on the contents of the report or to whom the report must be issued. Staff believe that the intent of the legislation is for the report to take the form of a public comment (basically a letter) expressing the ECC's opinion on the proposed regulations, and with the report to be issued to the CBA.

5. Issue an opinion as to whether the regulations will implement the ECC recommendations

SB 819 requires that no more than 30 days after the regulations are final, the ECC must issue an opinion as to whether the regulations will implement ethics study guidelines issued to the CBA. The legislation does not indicate to whom the ECC shall issue this opinion, nor does it provide a definitive definition on the term "after the regulations are final." At this time, staff believe the opinion will be issued to the Legislature. As for the term "after the regulations are final," this could be implied to mean upon final adoption of the regulatory text by the CBA, possibly once the regulations are approved by the Office of Administrative Law, or after the effective date of the regulations.

As additional information becomes available on Goals 4 and 5, staff will provide ECC members with updates to ensure the committee meets the requirements outlined in SB 819.

Support Activities Provided by CBA Staff

CBA staff provide numerous support activities for the CBA and its committees. From an administrative aspect, staff will assist members with travel, both in travel arrangement and in expense reimbursement. Staff, in conjunction with the ECC Chair, work on developing the meeting agenda, materials, and minutes. Staff also assist in research activities to enhance the ability of committees to make informed decisions.

The CBA staff liaison for the ECC is Cindi Fuller, Coordinator, Licensing Division. She is available to provide assistance on any item outlined in this memorandum. Please feel free to contact Ms. Fuller by telephone at (916) 561-4367 or by e-mail at cfuller@cba.ca.gov.

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
2010 MEETING DATES/LOCATIONS
(CBA MEMBER COPY)**

Attachment #1

JANUARY 2010

S	M	T	W	Th	F	S
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FEBRUARY 2010

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MARCH 2010

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APRIL 2010

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AUGUST 2010

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COMMITTEE/TASK FORCE
 SB-SPECIAL CBA MEETING
 EAC-ENFORCEMENT ADVISORY COMMITTEE
 QC-QUALIFICATIONS COMMITTEE
 AEC-ACCOUNTING EDUCATION COMMITTEE
 ECC-ETHICS CURRICULUM COMMITTEE
 PROC-PEER REVIEW OVERSIGHT COMMITTEE

GENERAL LOCATION
 NC-NORTHERN CALIFORNIA
 SC-SOUTHERN CALIFORNIA

AEC MEETING *
ECC MEETING *
PROC MEETING *

*These committees will meet:
 March/April 2010 (Sacramento)
 June/July 2010
 September/October 2010
 January/February 2011

ON SHADED DATES CBA OFFICE IS CLOSED
FURLOUGH DAY
CBA MEETING
DCA CONFERENCE
CBA CONFERENCE (TBD)
SPECIAL CBA MEETING ON LEGISLATION
EAC MEETING
QC MEETING

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PROPOSED 2011 MEETING DATES/LOCATIONS
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JANUARY 2011

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FEBRUARY 2011

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MARCH 2011

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APRIL 2011

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MAY 2011

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AUGUST 2011

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SEPTEMBER 2011

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OCTOBER 2011

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NOVEMBER 2011

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DECEMBER 2011

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	DCA CONFERENCE
	CBA WORKING CONFERENCE
	SPECIAL CBA MEETING ON LEGISLATION
	EAC MEETING
	QC MEETING