



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
CERTIFIED PUBLIC ACCOUNTANT QUALIFICATIONS COMMITTEE (QC)**

**QC Meeting
Notice & Agenda**

**Wednesday, August 1, 2012
10:00 a.m. – 5:00 p.m.**

Hilton Ontario Airport
700 North Haven Avenue
Ontario, CA 91764-4902
Telephone: (909) 980-0400

Roll Call and Call to Order (**Fausto Hinojosa, Chair**).

- I. Chairperson's Report (**Fausto Hinojosa, Chair**).
 - A. Approval of the April 25, 2012, Minutes.
 - B. Report on CBA Meetings.
 1. Minutes of May 24-25, 2012 CBA Meeting.
 2. Update on July 26, 2012 CBA Meeting.
- II. Report on Activities in the Initial Licensing Unit (**Veronica Daniel, Licensing Manager**).
- III. Discussion Related to Appearances Conducted in Accordance with Title 16, California Code of Regulations, Sections 12.5 and 69 (**Dominic Franzella, Licensing Chief**).
- IV. Public Comment for Items Not on the Agenda.
- V. Agenda Items for Future CPA QC Meetings (**Veronica Daniel, Licensing Manager**).
- VI. Review Files on Individual Applicants [The Committee will meet in closed session to review and deliberate on applicant files as authorized by Government Code Section 11126(c)(2), and Business and Professions Code Sections 5022 and 5023.]

Lunch.
- VII. Conduct Closed Hearings [The Committee will meet in closed session as authorized by Government Code Sections 11126(c)(2) and (f)(3), and Business and Professions Code Section 5023 to conduct closed hearings to interview individual applicants for CPA licensure.]

Adjournment.

Please note: Action may be taken on any item on the agenda. All times are approximate. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the QC are open to the public. Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the QC prior to the QC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the QC, but the QC Chair may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the QC to discuss items not on the agenda; however, the QC can neither discuss nor take official action on these items at the time of the same meeting. (Government Code secs. 11125, 11125.7(a).)

The time and order of agenda items are subject to change at the discretion of the QC Chair and may be taken out of order.

The meeting is accessible to individuals with physical disabilities. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Stephanie Hoffman at (916) 561-1743, or by email at shoffman@cba.ca.gov, or send a written request to the CBA office at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.

For further information regarding this meeting, please contact:

Stephanie Hoffman, Licensing Coordinator
(916) 561-1743 or shoffman@cba.ca.gov
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

An electronic copy of this agenda can be found at <http://www.dca.ca.gov/cba/calendar.shtml>.

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Department of Consumer Affairs
California Board of Accountancy

**QC Item I.A.
August 1, 2012**

Minutes of Meeting
April 25, 2012
CPA Qualifications Committee

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA

The regularly scheduled meeting of the Certified Public Accountant (CPA) Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 10:00 a.m. on April 25, 2012 by QC Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Chair
Maurice Eckley, Jr., Vice-Chair
Carlos Aguila
Jenny Bolsky
Gary Bong
Brian Cates
Lewis Fisher
Michael Haas
Charles Hester
Kristina Mapes
Robert Ruehl
Jeremy Smith
James Woyce

Board Liaison Present

Diana Bell

Staff Present

Judy Bartucco, Licensing Technician
Veronica Daniel, Licensing Manager
Dominic Franzella, Licensing Chief
Stephanie Hoffman, Licensing Coordinator
Deanne Pearce, Assistant Executive Officer
Vicky Thornton, Licensing Coordinator

QC Members Absent

Alan Lee
Casandra Moore Hudnall
Ash Shenouda

I. CHAIRPERSON'S REPORT

Fausto Hinojosa, introduced and welcomed the CBA Board Liaison Diana Bell and new QC Member Lewis Fisher. The members were also updated on the staffing changes for the Licensing Division, noting that Dominic Franzella is now the Chief of Licensing and Veronica Daniel is now the Initial Licensing Unit Manager.

- A. Approval of the January 25, 2012, QC Meeting Minutes.

It was moved by Kris Mapes, seconded by Charles Hester and unanimously carried by those present to adopt the minutes of the January 25, 2012 QC Meeting.

- B. 1. Minutes of the January 26-27, 2012 CBA Meeting.

Copies of the meeting minutes were provided to the QC members for reference purposes.

2. Update on the March 22-23, 2012 CBA Meeting.

The members were informed that the CBA opted-out of the International Qualifications Exam, and also that the CBA is moving forward with the rulemaking process to amend the continuing education requirements for applicants applying for CPA licensure with stale dated experience or as a reissuance.

The members asked about the CBA's discussion regarding the issue of Safe Harbor. Ms. Bell explained the CBA's position. The QC members requested a copy of the proposed language regarding Safe Harbor.

II. REPORT ON ACTIVITIES IN THE INITIAL LICENSING UNIT (ILU)

The QC was provided the ILU report, which included a breakdown of the number of applications received by license type, processing timeframes and the number of licenses issued under each pathway. The report also included the number of firm applications received and processing timeframes for those applications. The numbers reported were for the time period of January 2012 through March 2012.

III. FURTHER DISCUSSION AND EDUCATIONAL PRESENTATION RELATED TO CBA REGULATION SECTION 69 AND PERSONAL APPEARANCES

Mr. Franzella provided background information and an overview of: what the QC had discussed at the January meeting regarding the letters sent to employers and applicants, the opening and closing statements for use during appearances, and changes in the worksheet of substantiation of qualifying experience.

The members discussed additional changes to the letters, the opening and closing statements and the worksheet and offered final suggestions prior to circulation.

IV. PRESENTATION ON THE NEW EDUCATION REQUIREMENTS FOR CPA LICENSURE SET TO TAKE EFFECT JANUARY 1, 2014

Mr. Franzella provided a Power Point presentation outlining the new educational requirements for CPA licensure.

V. PUBLIC COMMENT

None.

VI. AGENDA ITEMS FOR FUTURE CPA QUALIFICATIONS COMMITTEE MEETINGS

- Approval of April 25, 2012 QC minutes.
- Selection Process for Section 69 reviews and personal appearances.
- Review of the Certificate of Experience form.
- Allowing a designee to appear at a Section 69 review instead of employer.

VII. CONDUCT CLOSED HEARINGS [Closed session in accordance with Government Code Section 11126(c)(2) and (f)(3), and Business and Professions Code Section 5023 to conduct closed hearings to interview individual applicants for CPA licensure].

C12-007 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant has 18.75 months of experience with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C12-008 Applicant and her employer appeared and presented workpapers for her public accounting experience. Applicant has 24 months of experience with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure. However, the Certificate of Attest Experience was not properly completed.

Recommendation: Upon receipt by the CBA of an updated and correct experience form the applicant will be approved for licensure.

The firm is placed on reappearance status.

C12-009 Applicant and his employer appeared and presented workpapers for his public accounting experience. He has 212 months of experience, with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve

C12-010 Applicant appeared and presented workpapers for his government accounting experience. Applicant has 28.75 months of experience with a 24- month experience requirement.

The material provided did not contain full set of financial statements and management representation letter. The documentation was inadequate and did not demonstrate satisfactory knowledge of current standards and pronouncements.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must provide a full set of financial statements and management representation letter to be reviewed by the Qualification Committee. Once the CBA receives the requested documents, they will be forwarded to QC members for review and a determination will then be made regarding the applicant's experience. Any new experience must be obtained under the supervision of a licensee authorized to sign reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted.

C12-011 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant has 47 months of experience with a 24 month experience requirement.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve

The following Section 69 reviews and personal appearances took place on May 2, 2012, and are made a part of these minutes.

C10-008 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve applicant for licensure, however, because the firm has minimal exposure to audits, the firm is placed on reappearance status.

C11-029 Applicant appeared and presented workpapers for his non-public accounting experience. Applicant has 41.25 months of experience with a 12 month experience requirement.

The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve

C12-012 Applicant appeared with two separate employers and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The work reviewed had no deficiencies noted, however the hours were exclusively review hours for one employer and limited, minimal audit hours for the second employer.

The workpapers did not reflect experience and satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must obtain additional audit or audit equivalent work experience. Applicant may provide an additional Certificate of Attest Experience from another employer to the QC for review. Any new experience must be obtained under the supervision of a licensee authorized to sign reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted. A determination will then be made as to whether or not he will be required to reappear with work papers for the Committee's review.

One firm is placed on reappearance status.

C12-013 Applicant appeared with his employer and presented workpapers for his public accounting experience. Applicant has 76.5 months of experience with a 12 month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve applicant for licensure. However, due to the heavy reliance on review hours, the firm is placed on reappearance status.

C12-014 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve applicant for licensure, however, because of the low number of audit hours documented on the Certificate of Attest Experience, the firm is placed on reappearance status.

ADJOURNMENT

There being no further business to be conducted, the meeting was adjourned at 3:45 P.M. on April 25, 2012. The next meeting of the CPA Qualifications Committee will be held on August 1, 2012.

Fausto Hinojosa, Chair

Prepared by Vicky Thornton, Licensing Coordinator



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QC Item I.B.1.
August 1, 2012

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

MINUTES OF THE
MAY 24-25, 2012
CBA MEETING

The Hilton Pasadena
 168 South Los Robles Ave.
 Pasadena, CA 91101
 Telephone: (626) 577-1000
 Facsimile: (626) 584-3148

Roll Call and Call to Order.

CBA President Marshal Oldman called the meeting to order at 12:31 p.m. on Thursday, May 24, 2012 at The Hilton Pasadena. The meeting recessed at 4:30 p.m. President Oldman reconvened the meeting at 9:00 a.m. on Friday, May 25, 2012, and the meeting adjourned at 10:10 a.m.

CBA Members

May 24, 2012

Marshal Oldman, President	12:31 p.m. to 4:30 p.m.
Leslie LaManna, Vice President	12:31 p.m. to 4:30 p.m.
Michael Savoy, Secretary-Treasurer	12:31 p.m. to 4:30 p.m.
Sarah (Sally) Anderson	12:35 p.m. to 4:30 p.m.
Diana Bell	12:33 p.m. to 4:30 p.m.
Alicia Berhow	12:31 p.m. to 4:30 p.m.
Michelle Brough	12:31 p.m. to 4:30 p.m.
Donald Driftmier	Absent
Herschel Elkins	12:31 p.m. to 4:30 p.m.
Laurence (Larry) Kaplan	12:31 p.m. to 4:30 p.m.
Louise Kirkbride	Absent
Kitak (K.T.) Leung	12:31 p.m. to 4:30 p.m.
Manuel Ramirez	12:31 p.m. to 4:30 p.m.
David Swartz	12:31 p.m. to 4:30 p.m.

CBA Members

May 25, 2012

Marshal Oldman, President	9:00 a.m. to 10:10 a.m.
Leslie LaManna, Vice President	9:00 a.m. to 10:10 a.m.

Michael Savoy, Secretary-Treasurer	9:00 a.m. to 10:10 a.m.
Sarah (Sally) Anderson	9:00 a.m. to 10:10 a.m.
Diana Bell	9:00 a.m. to 10:10 a.m.
Alicia Berhow	Absent
Michelle Brough	Absent
Donald Driftmier	Absent
Herschel Elkins	9:00 a.m. to 10:10 a.m.
Laurence (Larry) Kaplan	9:00 a.m. to 10:10 a.m.
Louise Kirkbride	Absent
Kitak (K.T.) Leung	9:00 a.m. to 10:10 a.m.
Manuel Ramirez	9:03 a.m. to 10:10 a.m.
David Swartz	9:00 a.m. to 10:10 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
 Rich Andres, Information Technology Staff
 Veronica Daniel, Licensing Manager
 Paul Fisher, Supervising Investigative CPA
 Dominic Franzella, Chief, Licensing Division
 Rafael Ixta, Chief, Enforcement Division
 Nick Ng, Administration Manager
 Kari O'Connor, Board Relations Analyst
 Deanne Pearce, Assistant Executive Officer
 Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)
 Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
 Matthew Stanley, Legislation/Regulation Analyst

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)
 Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)
 Sherry McCoy, Member, PROC
 James Rider, Vice Chair, EAC
 Seid Sadat, Member, PROC

Other Participants

Pilar Onate-Quintana, KP Public Affairs
 Ric Rosario, President and CEO, CAMICO
 Jonathan Ross, KP Public Affairs
 Hal Schultz, California Society of CPAs (CalCPA)
 Jeannie Tindel, CalCPA

- I. Report of the President
 - A. Probation Monitoring Overview

Mr. Fisher provided an overview of this item.

Ms. Anderson inquired how effective probation is and if there are enough resources to follow up with licensees currently on probation.

Mr. Fisher stated that typically the person on probation is trying to correct his/her actions and it is rare to have to take further actions.

Mr. Ramirez inquired at what time does CBA enforcement staff determine that a practice investigation is appropriate.

Mr. Fisher stated that all probation cases are evaluated on a case-by-case basis with their assigned probation monitor. A practice investigation is appropriate when the licensee has practice activity issues rather than simply administrative issues.

Mr. Kaplan inquired about the methods enforcement staff uses to contact and stay in touch with probationers.

Mr. Fisher stated that a licensee on probation will attend a face-to-face meeting with his/her probation monitor, complete quarterly probation reports and have contact with their assigned CBA probation monitor as necessary.

Ms. Bowers further stated that during the course of probation there is minimum level of interaction required; however, if circumstances warrant, there may be additional practice investigations or face-to-face meetings.

II. Report of the Vice President.

A. Recommendations for Appointment(s) to the Enforcement Advisory Committee (EAC).

It was moved by Ms. LaManna, seconded by Mr. Swartz and unanimously carried by those present to appoint Joseph Rosenbaum to the EAC.

B. Recommendations for Appointment(s) to the Qualifications Committee (QC).

There was no report for this item.

C. Recommendations for Appointments/Reappointments to the Peer Review Oversight Committee (PROC).

Mr. Ramirez inquired if there is a limit on how many years a person may

serve as chair of the PROC. For succession planning, Mr. Ramirez recommended that Ms. Corrigan serve as chair for one more year while mentoring another PROC member to serve as chair.

Ms. LaManna stated that due to the critical issues that the PROC are currently undertaking, four years does not seem too long for Ms. Corrigan to serve as PROC chair.

Mr. Oldman suggested that Ms. Corrigan appoint a vice chair to the PROC.

Mr. Swartz commented that Ms. Corrigan serves as an excellent chair to the PROC.

It was moved by Ms. LaManna, seconded by Mr. Swartz and unanimously carried by those present to reappoint Ms. Corrigan as chair to the PROC and suggest that Ms. Corrigan appoint a Vice Chair to the PROC.

It was moved by Ms. LaManna, seconded by Mr. Swartz and unanimously carried by those present to reappoint the PROC members to one year terms.

Ms. Bowers commented that these reappointments will be revisited at the November 2012 CBA meeting.

III. Report of the Secretary/Treasurer

A. Discussion of Governor's Budget.

B. Fiscal Year 2011-2012 Mid-Year Financial Statement.

Mr. Savoy provided an overview of this item (See Attachment__)

Ms. Anderson inquired if there is any way the CBA loan to the General Fund can be repaid if a dire situation occurs.

Ms. Shellans stated that one board has received repayment of its loan to the General Fund, because it proved they were near bankruptcy.

Mr. Swartz inquired how lead much time is necessary to trigger a request for repayment of the loan to the General Fund be re-evaluated.

Ms. Bowers commented that there are no specific guidelines, and an argument for the repayment would need to be put together and submitted to the Department of Finance.

Mr. Ramirez inquired if there is any latitude to decrease examination fees by 20-40 percent. Mr. Ramirez requested that this be researched for discussion at the November CBA meeting.

Ms. Brough agreed with Mr. Ramirez and suggested that when considering reducing examination fees, the CBA take into consideration the high unemployment rate and current status of the economy.

Mr. Oldman requested that an agenda item be added to the July 2012 Secretary/Treasurer's Report to discuss the appropriate CBA committee to task with evaluating examination costs and fees.

IV. Report of the Executive Officer (EO)

A. Update on Staffing.

Ms. Bowers stated that the CBA is almost fully staffed.

B. Update on CBA 2010-2012 Communications and Outreach Plan (Written Report Only).

No comments were received on this item.

C. Discussion and Possible Action to Amend Business and Professions Code Sections 5063(b)(2) and 5063.2 – Civil Action Settlements or Arbitration Awards

Mr. Stanley provided an overview of this item (See Attachment ___).

There was no action on this item.

V. Report of the Licensing Chief.

A. Report on Licensing Division.

Mr. Franzella provided an overview of this item (See Attachment___).

B. Report on Activities Related to the New Educational Requirements for CPA Licensure Set to Take Effect January 1, 2014.

Ms. Daniel provided an overview of this item. Ms. Daniel noted that the rulemaking package for the Accounting Study regulations is currently being review by DCA and staff anticipates that the Office of Administrative Law will render a final decision on the rulemaking file by September 2012. Ms. Daniel stated that efforts to communicate information regarding the new educational requirements to all affected stakeholders is ongoing and the CBA website has been updated with

new information. Ms. Daniel further stated that staff joined CalCPA and presented information about the new educational requirements via a webinar in April.

C. Presentation on the New Educational Requirement for CPA Licensure Set to Take Effect January 1, 2014.

Mr. Franzella provided a PowerPoint presentation on this item (See Attachment ___).

Ms. Anderson inquired how CBA staff are notifying students who have attended college outside of California, about the new educational requirements for CPA licensure.

Mr. Franzella stated that as part of the joint Ethics Curriculum Committee (ECC) and Accounting Education Committee (AEC) joint meeting last year, an email was sent to all state accountancy board executive officers about the new educational requirements. Mr. Franzella also stated that staff have notified NASBA and the American Accounting Association about the new educational requirements. Mr. Franzella further stated that the CBA has held several open house events and ECC members have reported back to advisors with the new educational requirements.

Mr. Ramirez asked if staff can review an institution's curriculum to determine if it meets the new educational requirements.

Mr. Franzella stated that an internal taskforce of CBA staff will be established to evaluate outreach options. Mr. Franzella further stated CBA staff are working to get additional information to universities.

Ms. Tindel commented that CalCPA has conducted outreach to exam review course providers and firms. Schools in California are preparing their own matrices about how to become qualified for CPA licensure. The outreach is occurring, and Mr. Franzella has done a great job.

VI. Report of the Enforcement Chief.

A. Enforcement Case Activity and Aging Report.

Mr. Ixta provided an overview of this item (See Attachment___).

B. Citation and Fine Report.

Mr. Ixta reported that failure to respond to the CBA and continuing education violations make up a majority of the citations and fines.

C. Reportable Events Report.

Mr. Ixta reported that there have been 25 more reportable events from the last CBA meeting, with a majority of these events being restatements.

D. Update on Peer Review Implementation.

Mr. Ixta reported that 401 licensees have appealed peer review citations. Additionally, he noted that in the coming months the Peer Review Unit will issue notification letters to the third round of licensee who have a reporting date of July 1, 2013, citations for the first group of licensees required to report peer review, and issue deficiency letters to the second group of licensees required to report peer review.

Mr. Ramirez suggested that as part of the verification procedures, staff request a copy of billing documents from the last year, to determine if a firm is performing accounting and auditing work and reporting correctly on the peer review reporting form.

Ms. Elkins asked what the most common reason for a licensee to appeal a peer review citation.

Mr. Ixta stated that the most common reason for appeal is that a licensee was not aware he/she was required to report because the licensee is not practicing and did not believe he/she were subject to peer review.

VII. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decisions, Proposed Decisions, and Petitions for Reinstatement).

VIII. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC)(Diana Bell, Chair).

1. Report of the May 24, 2012 EPOC Meeting.

There were no comments on this item.

2. Discussion on Possible Changes to the Role of EPOC.

It was moved by Ms. Bell, seconded by Mr. Elkins and unanimously carried by those present that the proposed changes to the Role of EPOC be adopted.

3. Discussion on Possible Changes to the Role of the EAC.

It was moved by Ms. Bell, seconded by Ms. Anderson and unanimously carried by those present that the proposed changes to the role of the EAC be adopted.

Ms. Bell noted that future EPOC agenda items will include establishing guidelines for auditing a closed and finished case and to define the responsibilities of the CBA member liaison to EPOC.

B. Legislative Committee (LC) (Sally Anderson, Chair).

1. Report of the May 24, 2012.

There were no comments received on this item.

2. Update on Bills on Which the CBA Has Taken a Position (AB 1504, AB 1537, AB 1588, AB 1810, AB 1904, AB 1914, AB 1982, AB 2022, AB 2041, AB 2570, SB 103, SB 975, SB 1099, SB 1165, and SB 1576).

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to maintain the current positions on AB 1537, AB 1588, AB 1904, AB 1982, AB 2022, AB 2041, AB 2570 and SB 103.

It was moved by Ms. Anderson, seconded by Ms. Bell and unanimously carried by those present that the CBA discontinue following AB 1504, AB 1810 and SB 1165.

AB 1914 – Agency Report.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to maintain its current Oppose position on AB 1914.

AB 975 – Regulatory Authority.

It was moved by Ms. Anderson, seconded by Mr. Elkins and unanimously carried by those present that the CBA maintain its current Watch position on SB 975.

SB 1099 – Regulations: Effective Date.

It was moved by Ms. Anderson, seconded by Mr. Swartz and unanimously carried by those present that the CBA maintain its current Oppose position on SB 1099.

SB 1576 – Omnibus Bill.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present that the CBA maintain its current Support position on SB 1576.

3. AB 1345 – Local Government Audits.

Ms. Anderson stated that the LC propose including the following amendments in AB 1345:

- Only the lead audit partner should be subject to mandatory rotation, allowing the technical audit partner to remain for continuity benefiting the local agency.
- Require a two year “cooling off” period similar to the SEC rules, which prohibit the lead audit partner from resuming work with the local agency for two years.
- Add a payroll schedule to the audit requirements, prepared by the local agency for the auditor as part of the audit, including all compensation for elected officials and designated employees paid from local agency sources.
- Clarify the author’s intent that the first partner rotation occur in the 2018-19 fiscal year (FY).

Mr. Ramirez inquired if the CBA should include that the partners cannot rotate back and forth.

It was moved by Ms. Anderson, seconded by Ms. Bell and carried by those present that the CBA take a Support if Amended position on AB 1345, and that the four amendments suggested by the LC be incorporated into the bill. Mr. Elkins abstained.

4. Consideration of Positions on Legislation.

AB 1409 – Regulations: Small Businesses.

It was moved by Ms. Anderson, seconded by Mr. Elkins and unanimously carried by those present that the CBA take a Watch position on AB 1409.

SB 1327 – State Government: Internet Website.

It was moved by Ms. Anderson, seconded by Ms. LaManna and unanimously carried by those present that the CBA take a Watch position on AB 1327 that changes to an Oppose position if the bill passes the Senate Appropriations Committee without the amendment to exclude occupational licensing.

SB 1405 – Accountancy: Military Service: Inactive Status

Ms. LaManna inquired if a military inactive status licensee will be required to complete continuing education (CE) retroactively to return to active status.

Ms. Pearce stated that a licensee would need to meet the current CE requirements.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present that the CBA take a Support position on SB 1405.

5. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

No legislation impacting the CBA was identified by staff after the posting of the meeting notice.

C. Committee on Professional Conduct (CPC) (Michael Savoy, Chair).

1. Report of the May 24, 2012 CPC Meeting.

There were no comments received on this item.

2. Discussion on Initiating a Rulemaking to Amend Title 16, California Code of Regulations Sections 80, 80.1, 80.2, 81, 87, 87.1, 87.8, 87.9, 88, 88.1, 88.2 and 89.

It was moved by Mr. Savoy, seconded by Mr. Swartz and unanimously carried by those present to approve the draft regulatory language with an amendment to delete the requirement for a 90% passing rate for ethics CE courses.

3. Discussion Regarding the CBA's Requirements for Maintaining Adequate Security Claims Against an Accountancy Corporation (CBA Regulation 75.8).

Ric Rosario, President and CEO of CAMICO, presented information on CAMICO insurance claims. Mr. Rosario stated that the average claim is \$100,000. CAMICO believes the current level of insurance required seems sufficient. Mr. Rosario further stated that there have been very few instances where insurance has not been adequate; therefore, the current limits are sufficient to protect consumers.

It was moved by Mr. Savoy, seconded by Mr. Ramirez and

unanimously carried by those present that the CBA retain the existing language and maintain the current level of insurance required.

D. Strategic Planning Committee (SPC) (Manuel Ramirez, Chair).

There was no report for this item.

E. Enforcement Advisory Committee (EAC) (Cheryl Gerhardt, Chair).

Report of the May 3, 2012 EAC Meeting.

Mr. Rider provided the report for this item. Mr. Rider stated that eight investigative hearings were conducted at the May 3, 2012 EAC Meeting. Of the eight cases heard, six cases were referred to the Attorney General, one case was assigned additional CE, and one case was recommended for additional investigation. Mr. Rider stated that 16 closed cases were reviewed and the EAC agreed with closure on all of the closed cases. Mr. Rider noted that the next EAC meeting is in July 2012.

F. Qualifications Committee (QC) (Fausto Hinosa, Chair).

Report of the April 25, 2012 QC Meeting.

Ms. Daniel provided the report for this item.

Ms. Daniel stated that the QC made final recommendations for changes to the letters and instructions sent to the employers and applicants when scheduling Section 69 reviews and personal appearances. Ms. Daniel further stated that Mr. Franzella provided a PowerPoint presentation to the QC members outlining the new educational requirements for CPA licensure that will become effective January 1, 2014.

Mr. Swartz inquired how candidates are selected to appear before the QC.

Ms. Pearce stated that foreign applicants and are required to appear and other candidates are chosen on a case-by-case basis.

G. Peer Review Oversight Committee (PROC)

Report of the April 20, 2012 PROC Meeting.

Ms. Corrigan reported that the PROC discussed its participation in the two CalCPA Report Acceptance Body meetings. Ms Corrigan stated that CBA staff provided the status of licensees reporting peer review and the

PROC discussed correspondence planned to be sent to licensees as a part of the three-year phase in period. Ms. Corrigan stated that the PROC discussed future articles planned for UPDATE.

Ms. Corrigan further stated that the PROC discussed the National Peer Review Committee (NPRC) and had a presentation from Jim Brackens, with the peer review program from AICPA. Ms. Corrigan noted that the PROC has deferred its conclusions about the degree of oversight needed by the PROC, to give further consideration regarding NASBA's Compliance Assurance Committee. Ms. Corrigan further stated the next PROC meeting is June 15, and that future PROC agenda items include:

- National Peer Review Committee process – NASBA presentation – June 15, 2012.
- Review of responsibilities and follow-up to the CBA regarding guidelines issued in early 2008.
- Review of change of firms' registration and how this impacts their peer review.

It was moved by Mr. Ramirez, seconded by Mr. Kaplan and unanimously carried by those present to accept the EPOC, LC, CPC, QC, EAC, and PROC committee reports.

IX. Acceptance of Minutes.

- A. Draft Minutes of the March 22-23, 2012 CBA Meeting.
- B. Draft Minutes of the March 22, 2012 CBA Open House.
- C. Minutes of the March 22, 2012 EPOC Meeting.
- D. Minutes of the March 22, 2012 LC Meeting.
- E. Minutes of the March 23, 2012 CPC Meeting.
- F. Minutes of the January 25, 2012 QC Meeting.
- G. Minutes of the February 2, 2012 EAC Meeting.
- H. Minutes of the February 10, 2012 PROC Meeting.

It was moved by Mr. Ramirez, seconded by Mr. Elkins and unanimously carried by those present to accept agenda items XI.A-H.

X. Other Business.

A. American Institute of Certified Public Accountants (AICPA).

There was no report for this item.

B. National Association of State Boards of Accountancy (NASBA).

1. Nominations for NASBA 2012 Awards.

There was no action taken on this item.

2. Update of NASBA Committees.

a. Accountancy Licensee Database (ALD) Task Force.

There was no report for this item.

b. Board Relevance & Effectiveness Committee.

There was no report for this item.

c. Education Committee.

There was no report on for this item.

d. Uniform Accountancy Act Committee (UAA).

There was no report for this item.

XI. Closing Business

A. Public Comments.*

No public comments were received.

B. Agenda Items for Future CBA Meetings.

Mr. Ramirez requested that the CBA discuss if the electronic delivery of the UPDATE publication is sufficiently meeting regulations.

Mr. Swartz requested that the CBA be provided with an update on mobility.

C. Press Release Focus

Ms. Pearce stated the topic of focus for a post-meeting press release is the EAC and PROC appointments and reappointments.

Adjournment.

- XII. President Oldman adjourned the meeting at 10:10 a.m. on Friday, May 25, 2012.

_____ Marshal A. Oldman, Esq., President

_____ Michael M. Savoy, CPA,
Secretary-Treasurer

Kari O'Connor, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.

**CALIFORNIA BOARD OF ACCOUNTANCY
INITIAL LICENSING UNIT REPORT
APRIL 2012 – JUNE 2012**

QC Item II.
August 1, 2012

INITIAL LICENSING	April	May	June
CPA Licensure Applications Received by Type *			
Type A	187	292	244
Type B	4	17	16
Type C	27	43	31
Type D	1	7	3
Type E	1	1	0
Total	220	360	294
Processing Time Frames (Days)			
CPA	14	20	18
Applicants Licensed Under			
Pathway 0	1	0	0
Pathway 1A	33	20	41
Pathway 1G	59	31	40
Pathway 2A	70	58	62
Pathway 2G	172	115	156
Total	335	224	299
Firm Applications Received			
Partnership	4	9	8
Corporation	12	29	21
Fictitious Name Permit (Registration)	7	13	7
Total	23	51	36
Processing Time Frames (Days)			
Partnership	6	8	8
Corporation	6	8	8
Fictitious Name Permit (Registration)	6	8	8

CALIFORNIA BOARD OF ACCOUNTANCY
INITIAL LICENSING UNIT REPORT
APRIL 2012 – JUNE 2012
UNIT ACTIVITIES

Initial Licensing Unit

- A taskforce consisting of staff from the Examination and Initial Licensing Units has been formed to address the new educational requirements set to take effect January 1, 2014. The purpose of the taskforce is to:
 1. Further the CBA's outreach efforts
 2. Coordinate training activities for affected Licensing Division staff
 3. Consider best practices for implementation
- A taskforce consisting of staff from the Administration, Renewal and Continuing Competency, and Initial Licensing Units has been formed to address the new fingerprinting requirements set to take effect January 1, 2012. The taskforce will focus on identifying and notifying the affected licensees, and considering best practices for implementation across the Licensing Division.

***Application Types**

Type A – An applicant who passed the Uniform CPA Exam in California and is applying for licensure as a CPA in California for the first time.

Type B – An applicant who passed the Uniform CPA Exam in a state other than California and has not been issued a valid license to practice public accounting in any state and is applying for licensure as a CPA in California for the first time.

Type C – An applicant who passed the Uniform CPA Exam in a state other than California and was issued a valid license to practice public accounting in a state other than California.

Type D – An applicant who previously was licensed as a CPA in California and the certificate was cancelled after five years for nonpayment of license renewal fees.

Type E – An applicant who passed the Canadian Chartered Accountant Uniform Certificate Public Accountant Qualification Examination (CAQEX) of the American Institute of Certified Public Accountants (AICPA) or the International Uniform Certified Public Accountant Qualification Examination (EQEX) of the AICPA and the National Association of State Boards of Accountancy (NASBA).

**DEPARTMENT OF CONSUMER AFFAIRS**

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QC Item III.
August 1, 2012

Discussion Related to Appearances Conducted in Accordance with Title 16, CCR, Sections 12.5 and 69

Staff: Dominic Franzella, Licensing Chief

Date: July 17, 2012

Purpose of the Item

The purpose of this item is to facilitate further discussion related to the Qualifications Committee (QC) peer training plan.

Action(s) Needed

The QC is being asked to provide input on the attached survey to assist in identifying best practices for conducting applicant/firm interviews and reviewing audit workpapers.

Background

At the April 2011 QC meeting, staff introduced an agenda item regarding the development of a training plan that members could use for CBA Regulation Section 69 and personal appearance reviews. The purpose of the peer training is to establish and document best practices related to interview format and procedures for current and new members.

At the October 2011 meeting, members provided input on the use of electronic media during personal appearances, the development of instructions for the firms relevant to the completion of the *Certificate of Attest Experience*, and the staff selection process used for a Section 69 review and personal appearances.

At the January and April 2012 meetings, members reviewed and discussed appearance letters that staff send to certified public accountants (CPA) applicants and employers. In addition, members formulated opening and closing statements for use during the various interviews.

Comments

Survey

At this time, members are being provided with the attached survey to assist in the discussion of identifying best practices for conducting interviews. The survey contains

Discussion Related to Appearances Conducted in Accordance with Title 16, CCR, Sections 12.5 and 69

Page 2

questions related to each element of the Certificate of Attest Experience. Following the August 2012 QC meeting, staff will incorporate any suggestions provided at the meeting and then circulate the survey to members for a response. Staff will compile and insert the finalized survey responses along with other best practices identified over the past 18 months into the QC Manual. It's anticipated that the QC Manual will be presented to members at the October 2012 meeting, drawing conclusion regarding the topic of peer training.

Fiscal/Economical Impact Considerations

None

Recommendation

None

Attachment

Survey for QC Members

SURVEY FOR QUALIFICATIONS COMMITTEE (QC) MEMBERS:

What are the Benchmarks used to determine whether an applicant/firm is qualified for authorization to sign attest reports

In reviewing the engagement(s) the applicant/firm presents to the QC review committee, the members must look for: (Please indicate if these would apply to the **applicant only, the firm only or both**)

1. Planning of the Audit

- An engagement letter is required, but are there certain elements required in the letter as it relates to the type of audit being performed?
- Are there steps that must be taken in the planning portion of the audit? If so, please indicate the steps.
- Are there procedures that should not be done, that may adversely affect the validity of the audit?
- Are there certain processes involved in collecting, managing and storing the data used in the audit? Please identify the processes.
- If using electronic storage of the data is it a requirement to safeguard the data?

2. Performing the Audit

- Was the appropriate auditing technique/procedure performed for the type of audit being performed?
- Were the appropriate analytical review procedures followed?
- Were the appropriate testing procedures performed?
- Were all of the required elements of the audit performed and accounted for?

3. Working Papers

- Are the working papers prepared appropriately in connection with the elements of the audit?

4. Financial Statements

- Preparation of full disclosure financial statements, do they all need to include the following:
 - a. Accounting principles and policies
 - b. Analyses of accounts and related accounting and disclosures
 - c. Capital accounts leases
 - d. Income taxes and employee benefits
 - e. Related party transactions, commitments and contingencies and subsequent events

5. Government accounting vs. non-government accounting
 - What are the unique functions that an applicant with experience in a government accounting setting may perform that would meet the experience required for authorization to sign attest reports?
 - If the employee is not or cannot be involved in the preparation of the financial statements, is there equivalent work that can be considered?

6. Miscellaneous
 - Is there certain terminology or talking points an applicant should use in the course of an audit? If yes, please list.
 - What should you be looking for if the applicant is heavy in review hours?
 - Do you look for something different when reviewing private industry and government workpapers?
 - Please provide any additional information you believe is important as it relates to conducting interviews with applicants and/or firms.