



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.cba.ca.gov>



**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 PUBLIC MEETING NOTICE FOR THE STRATEGIC PLANNING WORKSHOP, MOBILITY
 STAKEHOLDER GROUP (MSG), LEGISLATIVE COMMITTEE (LC), AND CBA MEETINGS**

- | | |
|---|---|
| DATE: Wednesday, July 22, 2015 | CBA STRATEGIC PLANNING WORKSHOP
TIME: 1:30 p.m. |
| DATE: Wednesday, July 22, 2015 | CBA MEETING
TIME: 3:30 p.m. to 5:00 p.m. or upon
adjournment of the Strategic Planning Workshop |
| DATE: Thursday, July 23, 2015 | MSG MEETING
TIME: 9:00 a.m. |
| DATE: Thursday, July 23, 2015 | LC MEETING
TIME: 9:45 a.m. or upon adjournment
of the MSG Meeting |
| DATE: Thursday, July 23, 2015 | CBA MEETING
TIME: 10:00 a.m. to 5:00 p.m. |
| PLACE: Holiday Inn Capitol Plaza
300 J Street
Sacramento, CA 95814
Telephone: (916) 446-0100
Fax: (916) 446-0117 | |

Enclosed for your information is a copy of the agendas for the Strategic Planning Workshop, MSG, LC, and CBA meetings on July 22-23, 2015. For further information regarding these meetings, please contact:

Corey Riordan, Board Relations Analyst
 (916) 561-1716 or cfriordan@cba.ca.gov
 California Board of Accountancy
 2000 Evergreen Street, Suite 250
 Sacramento, CA 95815

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

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Corey Riordan at (916) 561-1718, or email cfriordan@cba.ca.gov, or send a written request to the CBA Office at 2000 Evergreen Street, Ste. 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.



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**DEPARTMENT OF CONSUMER AFFAIRS (DCA)
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**

**CBA MEETING
 AGENDA**

July 22, 2015

3:30 p.m. – 5:00 p.m.

Or Upon Adjournment of the Strategic Planning Workshop

July 23, 2015

10:00 a.m. – 5:00 p.m.

Holiday Inn Capitol Plaza

300 J Street

Sacramento, CA 95814

Telephone: (916) 446-0100

Important Notice to the Public

All times indicated, other than those identified as “time certain,” are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the CBA President. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the CBA’s website at <http://www.cba.ca.gov>.

**Wednesday,
 July 22, 2015
 3:30 p.m. –
 5:00 p.m.**

Call to Order, Roll Call, and Establishment of Quorum
 (**Jose Campos, President**).

I. Closed Session.**

A. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Proposed Decisions).

**Thursday,
 July 23, 2015
 10:00 a.m. –
 10:40 a.m.**

II. Report of the President (**Jose Campos**).

A. Report on the National Association of State Boards of Accountancy’s June 17-19, 2015 Western Regional Meeting.

B. Report of the CBA Strategic Planning Workshop.

- C. Comments Regarding the American Institute of Certified Public Accountants and NASBA Exposure Draft Regarding Statement on Standards for Continuing Education (CPE) Programs.
 - D. DCA Directors Report (**Awet Kidane, Director**).
- 10:40 a.m. – 10:50 a.m.**
- III. Report of the Vice President (**Katrina Salazar**).
 - A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee (EAC).
 - B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee (QC).
 - C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee (PROC).
- 10:50 a.m. – 11:00 a.m.**
- IV. Report of the Secretary/Treasurer (**Alicia Berhow**).
 - A. Discussion of Governor’s Budget.
- TIME CERTAIN 11:00 a.m.**
- V. Petition Hearing.
 - A. Lawrence KY Pon – Petition for Termination of Probation.
 - B. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene into Closed Session to Deliberate on Disciplinary Matters (Petition for Termination of Probation).
- 12:00 p.m.**
- Lunch
- 1:30 p.m. – 1:35 p.m.**
- VI. Report of the Executive Officer (**Patti Bowers**).
 - A. Update on the Relocation of the CBA’s Office.
 - B. Update on Staffing.
 - C. Update on the CBA 2013-2015 Communications and Outreach Plan (**Written Report Only**).
- 1:35 p.m. – 1:40 p.m.**
- VII. Report on the Enforcement Advisory Committee, Qualifications Committee and Peer Review Oversight Committee.
 - A. Enforcement Advisory Committee (EAC) (**Jeffrey De Lyser, Chair**).
 - 1. Report of the July 9, 2015 EAC Meeting.

B. Qualifications Committee (QC) (**Robert Ruehl, Chair**).

No Report.

C. Peer Review Oversight Committee (PROC) (**Robert Lee, Chair**).

No Report.

1:40 p.m. –
2:15 p.m.

VIII. Report of the Enforcement Chief (**Dominic Franzella**).

A. Enforcement Activity Report.

B. Discussion Regarding the CBA's Probation Monitoring Program.

C. Discussion and Possible Action to Direct Staff to Bring Proposed Modifications to the Use of Tolling in 2016 for Licensees Permanently Residing Out of State or Who Are Disciplined Under California's Mobility Provisions.

2:15 p.m. –
2:25 p.m.

IX. Report of the Licensing Chief (**Gina Sanchez**).

A. Licensing Activity Report.

2:25 p.m.–
2:55 p.m.

X. Committee Reports.

A. Legislative Committee (LC) (**Mark Silverman**).

1. Report of the July 23, 2015 LC Meeting.

2. 2015-16 Legislative Tracking List (**Written Report Only**).

3. Discussion and Possible Action on Legislation on Which the CBA Has Taken a Position.

a. AB 85 – Open Meetings

b. AB 507 – DCA: BreEZe: Annual Report

c. AB 750 – Business and Professions: Retired Licenses

d. AB 1060 – Professions and Vocations: Licensure

e. SB 8 – Taxation

f. SB 467 – CBA's Sunset Review Bill

g. SB 799 – Omnibus Bill

4. Consideration of Positions on Other Legislation Impacting the CBA.

a. AB 1351 – Deferred Entry of Judgment: Pretrial Diversion

b. AB 1352 – Deferred Entry of Judgment: Withdrawal of Plea

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

B. Mobility Stakeholder Group (MSG) (**Katrina Salazar**).

1. Report of the July 23, 2015 MSG Meeting.

2. The MSG Decision Matrix and Stakeholder Objectives (Written Report Only).

3. Discussion and Recommendation Regarding the Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21.

4. Discussion and Decision Regarding the Approach for Comparing State Boards of Accountancy's Enforcement Practices to the National Association of State Boards of Accountancy's (NASBA) Guiding Principles of Enforcement.

5. Discussion Regarding NASBA's Activities and CPAVerify.

6. Discussion Regarding Proposed Agenda Items for the Next MSG Meeting.

**2:55 p.m. –
3:00 p.m.**

XI. Acceptance of Minutes.

A. Draft Minutes of the May 28-29, 2015 CBA Meeting.

B. Minutes of May 28, 2015 MSG Meeting.

C. Minutes of the May 28, 2015 Joint CBA & MSG Meeting.

D. Minutes of the May 28, 2015 LC Meeting.

E. Minutes of the April 30, 2015 EAC Meeting.

**3:00 p.m. –
3:05 p.m.**

XII. Other Business.

A. American Institute of Certified Public Accountants.

B. National Association of State Boards of Accountancy.

1. Report on Strategic Planning Task Force (**Michael Savoy**).

3:05 p.m.

XIII. Closing Business.

A. Public Comments.*

B. Agenda Items for Future CBA Meetings.

C. Press Release Focus (**Deanne Pearce**).

Adjournment

**Action may be taken on any item on the agenda. The time and order of agenda items, including closed session, are subject to change at the discretion of the CBA President and may be taken out of order.

In accordance with the Bagley-Keene Open Meeting Act, all meetings of the CBA are open to the public. While the CBA intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources.

*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the CBA prior to the CBA taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the CBA, but the CBA President may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the CBA to discuss items not on the agenda; however, the CBA can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 MOBILITY STAKEHOLDER GROUP (MSG)**

**MSG MEETING
 AGENDA**

**Thursday, July 23, 2015
 9:00 a.m.**

**Holiday Inn Capitol Plaza
 300 J Street
 Sacramento, CA 95814
 Telephone: (916) 446-0100**

Important Notice to the Public

All times indicated, other than those identified as "time certain," are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the MSG Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the CBA's website at <http://www.cba.ca.gov>.

	<u>CBA Item #</u>
Call to Order, Roll Call, and Establishment of Quorum (Katrina Salazar, Chair).	
I. Approval of Minutes of the May 28, 2015 MSG Meeting and the May 28, 2015 Joint CBA and MSG Meeting.	XI.B.-XI.C.
II. The MSG Decision Matrix and Stakeholder Objectives (Written Report Only).	X.B.2.
III. Discussion and Recommendation Regarding the Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21 (Matthew Stanley, Manager, Practice Privilege and Examination Manager).	X.B.3.
IV. Discussion and Decision Regarding the Approach for Comparing State Boards of Accountancy's Enforcement Practices to National Association of State Boards of Accountancy's (NASBA) Guiding Principles of Enforcement (Matthew Stanley).	X.B.4.
V. Discussion Regarding NASBA's Activities and CPAVerify (Matthew Stanley).	X.B.5.
VI. Discussion Regarding Proposed Agenda Items for the Next MSG Meeting (Matthew Stanley).	X.B.6.

VII. Public Comments.*

Adjournment

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the MSG 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 MSG prior to the MSG taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the MSG. Individuals may appear before the MSG to discuss items not on the agenda; however, the MSG can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a))

CBA members who are not members of the MSG may be attending the meeting. However, if a majority of members of the full CBA are present at the MSG meeting, members who are not MSG members may attend the meeting only as observers.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 LEGISLATIVE COMMITTEE (LC)**

**LC MEETING
 AGENDA**

**Thursday, July 23, 2015
 9:45 a.m.**

Or Upon Adjournment of the Mobility Stakeholder Group Meeting

**Holiday Inn Capitol Plaza
 300 J Street
 Sacramento, CA 95814
 Telephone: (916) 446-0100**

Important Notice to the Public

All times indicated, other than those identified as "time certain," are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the LC Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the CBA's website at <http://www.cba.ca.gov>.

	<u>CBA Item #</u>
Call to Order, Roll Call, and Establishment of Quorum (Mark Silverman, Chair).	
I. Approve Minutes of the May 28, 2015, LC Meeting.	XI.D.
II. 2015-16 Legislative Tracking List (Written Report Only)	X.A.2.
III. Discussion and Possible Action on Legislation on Which the CBA Has Taken a Position (Kathryn Kay, Legislation Analyst).	X.A.3.
A. AB 85 – Open Meetings	X.A.3.a.
B. AB 507 – DCA: BreEZe: Annual Report	X.A.3.b.
C. AB 750 – Business and Professions: Retired Licenses	X.A.3.c.
D. AB 1060 – Professions and Vocations: Licensure	X.A.3.d.
E. SB 8 – Taxation	X.A.3.e.
F. SB 467 – CBA's Sunset Review Bill	X.A.3.f.
G. SB 799 – Omnibus Bill	X.A.3.g.
IV. Consideration of Positions on Other Legislation Impacting the CBA (Kathryn Kay).	X.A.4.

- A. AB 1351 – Deferred Entry of Judgment: Pretrial Diversion X.A.4.a.
- B. AB 1352 – Deferred Entry of Judgment: Withdrawal of Plea X.A.4.b.

V. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice (**Kathryn Kay**).

X.A.5.

VI. Public Comments.*

VII. Agenda Items for Next Meeting.

Adjournment

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the LC 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 LC prior to the LC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the LC. Individuals may appear before the LC to discuss items not on the agenda; however, the LC can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a))

CBA members who are not members of the LC may be attending the meeting. However, if a majority of members of the full board are present at the LC meeting, members who are not LC members may attend the meeting only as observers.



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CBA Item II.A.
July 22-23, 2015

Report on the National Association of State Boards of Accountancy (NASBA) June 17-19, 2015 Western Regional Meeting

Presented by: Jose A. Campos, CPA, President

Purpose of the Item

The purpose of this agenda item is to provide a report on the National Association of State Boards of Accountancy (NASBA) Western Regional Meeting (**Attachment 1**), which was held June 17-19, 2015 and provide information regarding the NASBA Annual Meeting On October 25-28, 2015.

Action(s) Needed

No specific action is required on this agenda item.

Background

None.

Comments

On June 17-19, 2015, NASBA held its Western Regional Meeting in Coronado, California. The meeting was attended by nearly 200 individuals, including representatives from 34 state boards of accountancy, accounting professionals, professional organizations, and other stakeholders. In addition to myself, other California representatives included California Board of Accountancy (CBA) member Mark Silverman, CBA Executive Officer Patti Bowers, Assistant Executive Officer Deanne Pearce, Licensing Division Chief Gina Sanchez, Peer Review Oversight Committee Chair and Vice Chair, Robert Lee, CPA and Sherry McCoy, CPA, Deputy Attorney General Carl Sonne, former CBA members Ruben Davila and Sally Flowers, and representing the California Society of CPAs, Jason Fox.

The primary focus of the meeting was consumer protection and to provide a forum for the attendees to receive and share information regarding various topics, including peer review, the Uniform Accountancy Act, the Uniform CPA Examination, the Accountancy Licensee Database, education, and continuing professional education standards. During the various sessions, in-depth presentations were provided and an opportunity for the attendees to share information and ask questions.

Report on the National Association of State Boards of Accountancy (NASBA) June 17-19, 2015 Western Regional Meeting

Page 2 of 3

The following provides an overview of the daily events:

Wednesday, June 17, 2015

The Western Regional Meeting began on Wednesday, June 17, 2015, with an orientation for new board members. During this session, which was attended by approximately 35 individuals, information was provided on NASBA's mission, the various programs and services that NASBA offers to member boards, and board member participation on NASBA committees.

Thursday, June 18, 2015

On Thursday, June 18, 2015, prior to the main session, a communications meeting was held, where I presented an overview of the communications and outreach activities that are used by the CBA. During the session, other boards of accountancy provided information on strategies used by their organization to successfully deliver information to stakeholders. NASBA closed the event by providing an overview of the services it offers to state boards regarding newsletter development, publications, videos, website, and social media assistance.

To officially open the NASBA Western Regional Meeting, the CBA, as the host board, was asked to provide the welcoming presentation. On behalf of the CBA, I gave an overview of California highlighting not only priority issues being addressed by the CBA, but discussed California's geographic and population diversity.

The main session included presentations from NASBA leadership, update regarding the Department of Labor and peer review matters, the Uniform Accountancy Act, the upcoming changes to the Uniform CPA Examination, peer review, and the Accountancy Licensee Database.

Following the main session, each of the Regions (Southwest, Pacific, Central, and Mountain) held breakout sessions to discuss issues directly impacting their jurisdiction. During these sessions, some of the more sensitive topics included:

- Disciplinary matters related to the legalization of marijuana use in certain states
- Issues arising from the Department of Labor regarding peer review matters
- States addressing matters relating to moral turpitude
- The ability of Retired and Inactive licensees to provide volunteer accountancy-related services

Friday, June 19, 2015

On Friday, June 19, 2015, a meeting was held for board of accountancy executive directors and board presidents/chairs. The meeting provided an opportunity to share information and strategies regarding issues that are impacting all jurisdictions. It also provided an opportunity to network with individuals in order to leverage resources and streamline processes to ensure consumer protection across state lines.

Report on the National Association of State Boards of Accountancy (NASBA) June 17-19, 2015 Western Regional Meeting

Page 3 of 3

Following opening presentations regarding the Private Company Council¹ progress report and an update on legal issues impacting the various boards, breakout sessions were conducted on the following topics:

- Peer Review Compliance – Problems and Answers
- CPE Standards and Model Rule Changes – Why and How?
- Accepting International Professionals – Beyond Mutual Recognition Agreements
- Evolving Education Issues – Facing the Present

NASBA held a well-organized meeting that provided valuable information for all who attended. NASBA and other jurisdictions staff were very enthusiastic about having California representatives in attendance as it provided an opportunity to hear first-hand from the jurisdiction with the largest candidate and licensee population.

NASBA Annual Meeting, October 25-18, 2015

NASBA will be holding its annual meeting in Dana Point, CA on October 25-28, 2015. **Attachment 2** is the prior year's agenda and in addition to the annual business meeting, informative topics such as peer review, the Uniform CPA Examination, and legal updates will be discussed. The agenda for the 2015 annual meeting will be distributed once it is released.

I believe it would be extremely valuable for CBA members and Committee Leadership to attend this important national meeting. California is fortunate to have NASBA hold these meetings in-state to allow for full participation. Historically, NASBA meetings and other national meetings are held out-of-state, making it difficult for California representatives to attend.

Any member interested in attending the meeting, who has not already notified Corey Riordan, Board Relations Analyst, should do so to permit necessary approvals and travel arrangements for the meeting.

Fiscal/Economic Impact Considerations

The fiscal/economic impact will be dependent upon the number of attendees.

Recommendation

Staff does not have a recommendation on this agenda item.

Attachments

1. NASBA Western Regional Meeting Agenda
2. 2014 NASBA Annual Meeting Agenda

¹ The Private Company Council (PCC) has two principal responsibilities: 1) The PCC and the Financial Accounting Standards Board (FASB), working jointly, will mutually agree on a set of criteria to decide whether and when alternatives within U.S. Generally Accepted Accounting Principles (GAAP) are warranted for private companies. Based on those criteria, the PCC will review and propose alternatives within U.S. GAAP to address the needs of users of private company financial statements. 2) The PCC also serves as the primary advisory body to the FASB on the appropriate treatment for private companies for items under active consideration on the FASB's technical agenda.



AGENDA

2015 WESTERN REGIONAL MEETING JUNE 17-19, CORONADO, CALIFORNIA

TUESDAY

6:00 - 8:00 p.m. Dinner for New Accountancy Board Members *Sunset Terrace*

WEDNESDAY

8:00 – 8:30 a.m. New Accountancy Board Member Breakfast *Sunset Terrace*

8:30 a.m. – 3:00 p.m. New Accountancy Board Member Orientation Program *Britannia*

4:00 – 5:00 p.m. Regional Meeting Registration *Commodore Foyer*

6:00 – 8:00 p.m. Welcome Reception *Pool/Marina Terrace*

THURSDAY

7:30 – 8:45 a.m. Communications Breakfast (All Attendees Welcome) *Commodore A*

7:30 – 9:00 a.m. Breakfast (All Welcome) *Bay Terrace*

9:00 – 9:15 a.m. Welcome from Regional Directors *Commodore C*
J. Coalter Baker, Edwin G. Jolicoeur, Telford A. Lodden and Benjamin C. Steele

9:15 – 9:25 a.m. Welcome from Host Board *Commodore C*
Jose A. Campos

9:25 – 9:55 a.m. Update from NASBA Leadership *Commodore C*
Walter C. Davenport and Ken L. Bishop

9:55 – 10:15 a.m. Spotlight on the Department of Labor's Report *Commodore C*
Colleen K. Conrad and Maria L. Caldwell

10:15 - 10:45 a.m. Break *Commodore Foyer/
Britannia Foyer*

10:45 – 11:15 a.m. Keeping the Uniform Accountancy Act (and Model Rules) Evergreen *Commodore C*
J. Coalter Baker and Noel L. Allen

11:15 – 12:15 p.m. Uniform CPA Examination for 2017: *Commodore C*
The Practice Analysis' Preliminary Conclusions and Questions for the Audience
Colleen K. Conrad, Michael A. Decker and Frederick Niswander



THURSDAY (continued)

12:15 – 1:15 p.m.	Lunch (<i>All Meeting Attendees – Table Topics</i>) <i>Assigned seating</i>	<i>Bay Terrace</i>
1:15 – 2:15 p.m.	Peer Review - Yesterday, Today and Tomorrow Janice L. Gray, Daniel J. Dustin and W. Michael Fritz	<i>Commodore C</i>
2:15 - 2:30 p.m.	Update on Accountancy Licensee Database Laurie J. Tish	<i>Commodore C</i>
2:30 – 4:45 p.m.	Meet with Your Region Southwest: J. Coalter Baker – Commodore B Pacific: Edwin G. Jolicoeur – Cambria Central: Telford A. Lodden – Commodore E Mountain: Benjamin C. Steele – Britannia <i>(Participation limited to Board of Accountancy members, staff and former Board of Accountancy members. Each Region will meet in a separate room with the Regional Director leading the discussion. Election of Nominating Committee Representatives in Mountain and Southwest Regions.)</i>	
2:30 – 3:30 p.m.	Seminar for Those Not Affiliated with a Board: <i>Advancing Uniformity Within the Profession</i> John W. Johnson	<i>Commodore A</i>
4:45 p.m.	Recess	

FRIDAY

7:30 – 8:50 a.m.	Board of Accountancy Chairs’ and Presidents’ Breakfast Meeting Moderator – Walter C. Davenport	<i>Commodore A</i>
7:30 – 8:50 a.m.	Board of Accountancy Executive Directors’ Breakfast Meeting Moderator – Russ Friedewald	<i>Commodore B</i>
8:00 – 9:00 a.m.	Breakfast (<i>All Welcome</i>)	<i>Bay Terrace</i>
9:00 – 9:15 a.m.	Report from Regional Breakouts (<i>A summation of Thursday’s sessions</i>) J. Coalter Baker, Edwin G. Jolicoeur, Telford A. Lodden and Benjamin C. Steele	<i>Commodore C</i>
9:15 – 9:45 a.m.	Private Company Council - Progress Report Billy M. Atkinson	<i>Commodore C</i>
9:45 - 10:15 a.m.	Legal Heads Up Noel L. Allen	<i>Commodore C</i>
10:15 – 10:45 a.m.	Break	<i>Commodore Foyer/ Britannia Foyer</i>

FRIDAY (continued)

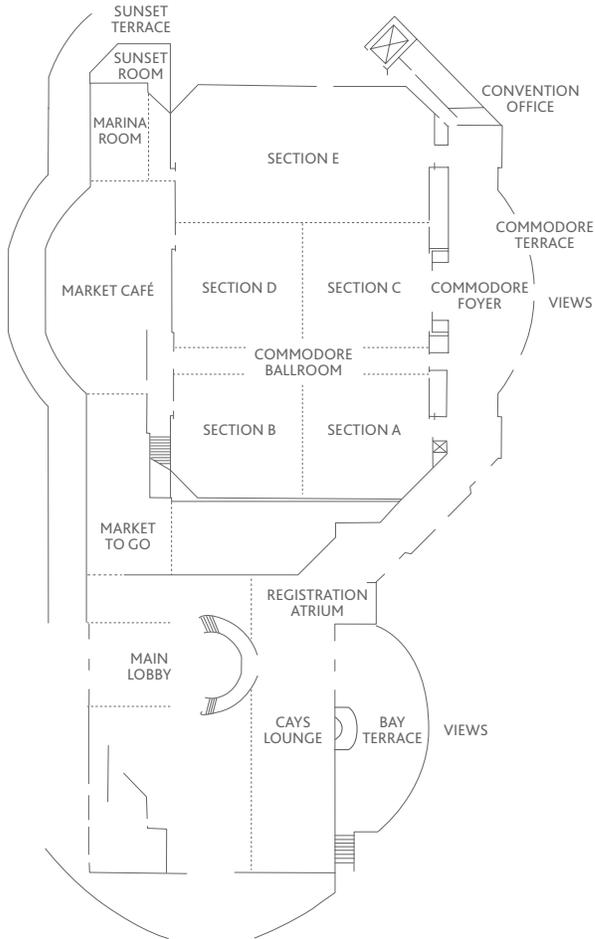
10:45 – Noon	<p>Breakout Sessions (<i>Select one</i>)</p> <ol style="list-style-type: none"> 1. Peer Review Compliance - Problems and Answers Janice L. Gray and James W. Brackens, Jr. 2. CPE Standards and Model Rule Changes - Why and How? Thomas T. Ueno, Maria L. Caldwell and Jessica Luttrull 3. Accepting International Professionals - Beyond MRAs Telford A. Lodden 4. Evolving Education Issues - Facing the Present Robert J. Cochran 	<p><i>Commodore A</i></p> <p><i>Commodore E</i></p> <p><i>Britannia</i></p> <p><i>Commodore B</i></p>
Noon – 1:00 p.m.	Lunch (<i>Meeting Attendees Only</i>)	<i>Bay Terrace</i>
1:00 – 2:15 p.m.	<p>Breakout Sessions (<i>Same as Above</i>)</p> <p><i>(Select one from breakouts listed for morning. Participants asked to select different session from one attended earlier.)</i></p>	
2:15 – 2:45 p.m.	Break	<i>Commodore Foyer</i>
2:45 – 3:15 p.m.	<p>Summary of NASBA Education Research Projects</p> <p>Panel Moderator – Alfonso Alexander</p> <p>Panelists – Martin Coe, Martin G. Fennema and Joseph C. Ugrin</p>	<i>Commodore C</i>
3:15 – 3:30 p.m.	<p>Report from the CPA Examination Review Board</p> <p>Ronald E. Nielsen</p>	<i>Commodore C</i>
3:30 – 4:00 p.m.	<p>Evaluating Candidate Statistics - Proactive Use of NASBA's Findings</p> <p>James Suh</p>	<i>Commodore C</i>
4:00 – 4:15 p.m.	<p>Questions and Answers for NASBA</p> <p>Walter C. Davenport and Ken L. Bishop</p>	<i>Commodore C</i>
4:15 – 4:30 p.m.	Raffle Drawing	<i>Commodore C</i>
6:30 p.m.	<p>Gala</p> <p><i>Meet in Lobby at 6:15 p.m.</i></p>	<i>Ocean Beach</i>

2015 NASBA REGIONAL MEETINGS - 2015

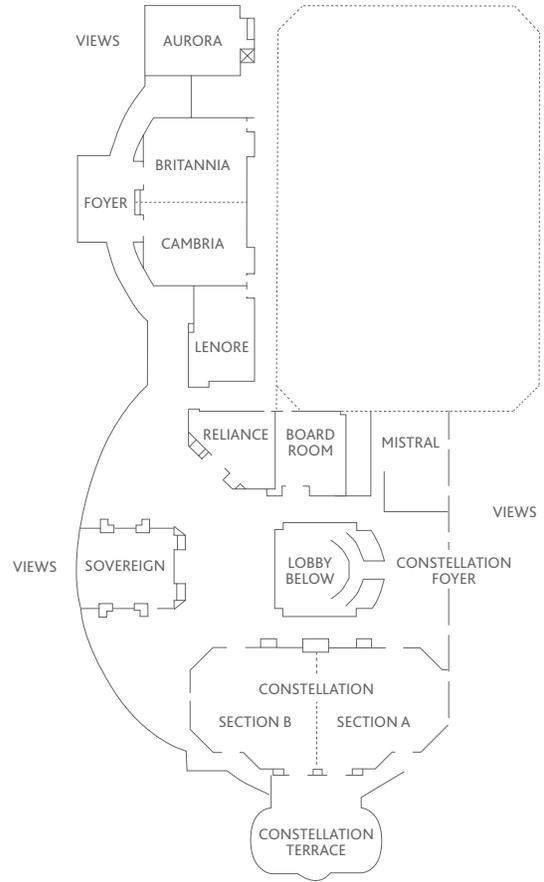
NASBA REGIONAL

EASTERN AND WESTERN
MEETINGS - 2015

FIRST FLOOR



SECOND FLOOR



NASBA

107th ANNUAL MEETING

NOVEMBER 2-5, 2014 ★ WASHINGTON, D.C.



AGENDA

FOREWORD

Recognizing the need for cooperation and communication among State Boards of Accountancy, NASBA sponsors an Annual Meeting in the fall of each year that provides a unique opportunity for state board members, executive directors and others interested in the profession to discuss freely and candidly the major issues facing state regulation of public accountancy.

The site of NASBA's 107th Annual Meeting, Washington, D.C., is the heart of our nation that has been the site of many outstanding NASBA meetings. In this inspiring setting, we will exchange new ideas and consider how to help the boards protect the public by utilizing the best thinking of regulators, professionals, academics and other interested parties.

Throughout the year, NASBA committees and staff have been engaged in communication with the member boards to keep information flowing. The Annual Meeting is the capstone of those efforts. Speakers from the Governmental Accounting Standards Board, Public Company Accounting Oversight Board, American Accounting Association, International Accounting and Auditing Standards Board, Internal Revenue Service and others will join NASBA's leaders in addressing the major regulatory issues involved in ensuring the boards' licensees meet the public's expectations. Through plenary presentations, regional meetings and informal gatherings, participants will be encouraged to share their views with colleagues from other jurisdictions, and consider the ways in which Boards of Accountancy can be responsive to the public's needs.

In addition to the outstanding business program, NASBA has arranged a variety of social events that are designed to provide an opportunity to interact in a casual way and to make everyone's visit to Washington, D.C., a memorable occasion.

REGISTRATION

On Sunday, November 2, registration will be open from 4:00 p.m. until 5:00 p.m. in the Grand Foyer (Ballroom Level). Thereafter, it will be open one half hour before and during all business sessions and will continue to be located in the Grand Foyer.

LOOKING FOR RIBBONS

New Board of Accountancy members and executive directors bring fresh life to NASBA. Because they are so important to our organization, we have included a "first time" ribbon with the name badges of all delegates and executive directors attending their first NASBA Annual Meeting. If you are wearing a first time ribbon, NASBA is particularly pleased you have joined us. If you see a first time ribbon, please extend a royal welcome to the person wearing it.

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SUNDAY, NOVEMBER 2, 2014

Welcome Reception

6:00 p.m. – 8:00 p.m.

Capitol Ballroom (Ballroom Level)

Come say “Hello” to old friends and new as we start to consider the issues that will unfold over the next few days.

MONDAY, NOVEMBER 3, 2014

Hospitality Breakfast (All Welcome)

7:30 a.m. – 8:25 a.m.

Capitol Ballroom (Ballroom Level)

Board Communications Breakfast Meeting

7:30 a.m. – 8:25 a.m.

Commerce (Meeting Room Level)

Executive directors, state board members and state society members will share ideas for communicating to the public, and collaborating on communications projects.

★ OPENING PLENARY SESSION ★

8:30 a.m. - Noon

Grand Ballroom (Ballroom Level)

Call to Order and Introductions

8:30 a.m. – 8:40 a.m.

Carlos E. Johnson, CPA, Ed.D.

Chair, NASBA

Past Chair, Oklahoma Accountancy Board

Retired Partner, KPMG

Retired Senior Investment Banker, BOSC, Inc.

Greetings from Washington, D.C.

8:40 a.m. – 9:00 a.m.

Robert Todero, CPA

Chair, District of Columbia Board of Accountancy

Partner, KPMG

Honorable Vincent C. Gray

Mayor, District of Columbia

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MONDAY, NOVEMBER 3, 2014 CONTINUED

Our Debt Problems Are Still Far from Solved

9:00 a.m. – 10:00 a.m.

This CEO of a Fortune 100 company has raised his voice around the country to have voters challenge their elected officials to work with their colleagues across the aisle and focus on the national debt. He has been a passionate spokesman for “Fix the Debt,” a group that brought 150 senior business people together around this cause. How does the national debt problem filter down to everyone?

Paul H. Stebbins

Chairman Emeritus, World Fuel Services Corporation

Report from NASBA Chair 2013-2014

10:00 a.m. – 10:15 a.m.

Carlos E. Johnson summarizes NASBA’s activities over the past year, a year of making the voice of the Boards of Accountancy heard and recognized. His focus on increasing NASBA’s and the state boards’ branding efforts has resulted in broader recognition of the important role the Boards play in the regulation of the accounting profession. Assisted by the work of NASBA’s committees, Chair Johnson has been actively involved in responding to exposure drafts and speaking up for the Boards of Accountancy in professional panels. He created new committees and task forces, strengthened ties with the academic community and guided the boards of accountancy to more cooperative and productive relationships with the profession as well as with other regulators. Chair Johnson reports on the progress of the initiatives he began, as well as those launched by his predecessors.

Carlos E. Johnson, CPA, Ed.D.

Chair, NASBA

Break

10:15 a.m. -10:45 a.m.

Future Plans from AICPA Chairman 2014-15

10:45 a.m. – 11:00 a.m.

As she takes up the leadership of the American Institute of CPAs, Tommye Barie reports on its ongoing and upcoming projects and how they will impact the Accountancy Boards. Ms. Barie looks at the roles that the AICPA and the Boards of Accountancy need to play in the professional lives of all CPAs.

Tommye E. Barie, CPA

**2014-2015 Chairman, American Institute of Certified Public Accountants
Partner, Mauldin & Jenkins, LLC**

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MONDAY, NOVEMBER 3, 2014 CONTINUED

The New Audit Report: Revealing Key Audit Matters

11:00 a.m. – 11:45 a.m.

Users of audited financial statements have called for more pertinent information in the auditor’s report to assist their decision-making. In response to these requests, the International Auditing and Assurance Standards Board (IAASB) proposed a fundamental overhaul of audit reports, including standards on determining key audit matters and how they should be communicated. The IAASB released its final standards recently and Dan Montgomery underscores what these mean for the public and regulators.

Daniel D. Montgomery, CPA

Deputy Chair, IAASB

Global Director - Assurance Standards, Methodology & Implementation, EY Global Services Limited

Luncheon

11:45 a.m. – 1:30 p.m.

Capitol Ballroom (Ballroom Level)

Insider’s View of Washington, D.C.

12:15 p.m. – 1:30 p.m.

With unmatched authority, nationally recognized congressional reporter Cokie Roberts brings a practiced political eye and keen perspective to the issues currently facing lawmakers.

Cokie Roberts

Author and televised journalist

Break

1:30 p.m. – 1:40 p.m.

★ AFTERNOON PLENARY SESSION ★

1:40 p.m. – 4:30 p.m.

Grand Ballroom (Ballroom Level)

Changes Coming from the PCAOB

1:40 p.m. – 2:30 p.m.

The PCAOB is exploring ways to “harness the disciplining power of markets to promote audit quality” through initiatives focused on audit transparency, audit quality indicators, and the auditor’s reporting model. Chairman Doty updates state boards on the progress of these efforts.

James R. Doty, Esq.

Chairman, Public Company Accounting Oversight Board

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Focus on Small Government

2:30 p.m. – 3:00 p.m.

The Governmental Accounting Standards Board (GASB) sets Generally Accepted Accounting Principles (GAAP) for the nation's 90,000 state and local governments. GASB Chairman David A. Vaudt's remarks will focus on the board's efforts to enhance accounting and financial reporting for even the smallest governments and address opportunities to improve the timeliness and complexity of financial statements.

David A. Vaudt, CPA

Chairman, Governmental Accounting Standards Board
Chair 2003-04, NASBA

Break

3:00 p.m. – 3:15 p.m.

Panel: Relying on the Educators

3:15 p.m. – 4:45 p.m.

MODERATOR:

Carlos E. Johnson, CPA, Ed.D.

Chair, NASBA

What Makes A Course Qualify for Credit?

3:15 p.m. – 3:45 p.m.

As technology makes new forms of education possible and widely available, how do Board of Accountancy members know those new formats are providing the education that CPAs are required to have? NASBA polls have found the boards rely on the universities to determine if on-line courses, MOOCs, nano courses, internships, etc., are valid. We have asked American Accounting Association Chair Christine A. Botosan to explain how these determinations are made and how much the boards can rely on the transcripts they receive.

Christine A. Botosan, CPA, Ph.D.

Chair, American Accounting Association
Professor, George S. and Dolores Doré Eccles Presidential Endowed Chair in Ethical Financial Reporting,
University of Utah School of Accounting

Why Accreditation is Meaningful to State Boards

3:45 p.m. – 4:30 p.m.

How should an accountancy board view courses from different educational institutions? Does it matter how many Ph.D.s are on the faculty or if the courses are given outside the United States? Professors Jan Williams and Jerry Trapnell describe the work done by the Association to Advance Collegiate Schools of Business (AACSB) International and others to accredit schools.

Jan R. Williams, CPA, Ph.D.

AACSB Representative to the Pathways Commission
Professor Emeritus and Dean Emeritus, College of Business Administration - University of Tennessee, Knoxville

Jerry E. Trapnell, CPA, Ph.D.

Former AACSB Chief Accreditation Officer
Dean Emeritus, Clemson University

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Questions and Answers

4:30 p.m. – 4:45 p.m.

Recess

4:45 p.m.

Center for the Public Trust Event

4:45 p.m.

Capitol Foyer (Ballroom Level)

A fun-filled opportunity to show your support for the “ethics arm” of NASBA.

TUESDAY, NOVEMBER 4, 2014

Regional Breakfast Meetings for Board Members and Staff

7:00 a.m. – 8:45 a.m.

Representatives from neighboring jurisdictions have an opportunity to interact in an informal session to discuss mutual concerns. 2013-14 Regional Directors will moderate the discussions. Attendance at these sessions is limited to past and present state board members and board staff.

Central Region - Hart (Meeting Room Level)

Douglas W. Skiles, CPA

Past Chair, Nebraska State Board of Public Accountancy
Partner, McPherron, Skiles & Loop, P.C., McCook, NE

Great Lakes Region - Russell (Meeting Room Level)

W. Michael Fritz, CPA

Immediate Past Chair, Accountancy Board of Ohio
AERS Partner, Deloitte & Touche, LLP, Columbus, OH

Middle Atlantic Region - Congressional (Lobby Level)

Tyrone E. Dickerson, CPA

Past Chair, Virginia Board of Accountancy
Tyrone E. Dickerson, CPA, Richmond, VA

Mountain Region - Dirksen (Meeting Room Level)

Richard N. Reisig, CPA

Past Chair, Montana Board of Public Accountants
Shareholder, Anderson ZurMuehlen & Company, P.C., Great Falls, MT

Northeast Region - The Senate Room (Lobby Level)

John F. Dailey, Jr., CPA

President, New Jersey State Board of Accountancy
Partner, Bowman & Company, LLP, Voorhees, NJ

Pacific Region - Rayburn (Meeting Room Level)

Donald F. Aubrey, CPA

Member and Past Chair, Washington State Board of Accountancy
Retired Partner, BDO Seidman, LLP

Southeast Region - Longworth (Meeting Room Level)

Jimmy E. Burkes, CPA

Vice Chair, Mississippi State Board of Public Accountancy
Partner, Haddox Reid Burkes and Calhoun, Jackson, MS

Southwest Region - Cannon (Meeting Room Level)

A. Carlos Barrera, CPA

Past Presiding Officer, Texas State Board of Public Accountancy
Partner, Long Chilton, LLP, Brownsville, TX

Breakfast for Other Participants (All Welcome)

7:00 a.m. – 8:45 a.m.

Penn Avenue Terrace (Lobby Level)

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TUESDAY, NOVEMBER 4, 2014 CONTINUED

MORNING PLENARY SESSION

9:00 a.m. - Noon

Annual Business Meeting

9:00 a.m. - 11:35 a.m.

Grand Ballroom (Ballroom Level)

The election of NASBA's officers and directors for 2014-2015, reports of several committees and of the president.

PRESIDING:

Carlos E. Johnson, CPA, Ed.D.
Chair, NASBA

Minutes of the 106th Annual Business Meeting

Kenneth R. Odom, CPA
Secretary/Director-at-Large, NASBA
Member and Past Chair, Alabama State Board of Public Accountancy
Partner, Rabren Odom Pierce & Hayes, P.C., Andalusia, AL

NASBA Awards

Mark P. Harris, CPA
Chair, Awards Committee
Past Chair, NASBA
Member and Past Chair, State Board of CPAs of Louisiana
Partner, Robideaux & Harris, APAC, Lafayette, LA

Lorraine P. Sachs, CAE

Executive Vice President Emerita, NASBA

Elections of NASBA Board Members

Gaylen R. Hansen, CPA
Chair, Nominating Committee
Past Chair, NASBA
Past Chair, Colorado State Board of Accountancy
Partner, EKS&H, Denver, CO

Administration & Finance Committee Report

E. Kent Smoll., CPA
Chair, Administration & Finance Committee
Treasurer/ Director-at-Large, NASBA
Past Chair, Kansas Board of Accountancy
Partner, Smoll & Banning, CPAs, LLC, Dodge City, KS

Audit Committee Report

Richard Isserman, CPA
Chair, Audit Committee
Director-at-Large, NASBA
Past Chair, New York State Board for Public Accountancy
Retired Partner, KPMG LLP

Bylaws Committee Report

Jimmy E. Burkes, CPA
Chair, Bylaws Committee

Center for the Public Trust Report

Alfonzo Alexander
President, Center for the Public Trust
Chief Relationship Officer, NASBA

Executive Directors Committee Report

Mark H. Crocker, CPA
Chair, Executive Directors Committee
Executive Director, Tennessee State Board of Accountancy

President's Report

Ken L. Bishop
NASBA President & CEO

First Meeting of 2014-2015 NASBA Board of Directors

11:35 a.m. - 11:55 a.m.

Congressional (Lobby Level)

NASBA Board meets to elect the NASBA 2014-15 secretary and treasurer, and a director-at-large to fill the two years remaining of Director-at-Large Donny Burkett's term.

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TUESDAY, NOVEMBER 4, 2014 CONTINUED

Attendee and Guest Luncheon (All Welcome)

Noon – 1:30 p.m.

Capitol Ballroom (Ballroom Level)

How Do We Know We Are Protecting the Public Interest?

1:00 p.m. – 1:30 pm.

Former Oklahoma Governor Frank Keating continues to watch the balance between regulation and market forces. He currently serves as the president and CEO of the American Bankers Association, which represents banks of all sizes and charters and is the voice for the nation's \$13 trillion banking industry and its 2,000,000 employees. Mr. Keating gives us his views on measures to address the nation's fiscal challenges.

Frank Keating

President and CEO, American Bankers Association

Break

1:30 p.m. – 1:45 p.m.

★ AFTERNOON PLENARY SESSION ★

1:45 p.m. – 4:30 p.m.

Grand Ballroom (Ballroom Level)

Inaugural Presentations

1:45 p.m. – 2:30 p.m.

New NASBA leaders are installed in office and outgoing leaders are thanked for their service. Meeting participants and their guests are invited to attend.

Thanks

Carlos E. Johnson, CPA
Chair, NASBA

Inaugural Address of the 2014-2015 Chair

Walter C. Davenport, CPA
Chair 2014-2015, NASBA
Past President, North Carolina State Board of CPA Examiners
Retired Partner, Cherry, Bekaert & Holland

Update on the Internal Revenue Service

2:30 p.m. – 3:00 p.m.

Internal Revenue Service Commissioner John Koskinen has plenty on his plate, including the Affordable Care Act tax provisions, FATCA foreign compliance alerts, extensions of tax credits and the challenged tax return preparer program. The Commissioner will give a concise overview of the status of the IRS's major efforts.

John Koskinen, Esq.

Commissioner, Internal Revenue Service

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TUESDAY, NOVEMBER 4, 2014 CONTINUED

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Break

3:00 p.m. – 3:15 p.m.

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What the Practice Analysis Means to State Boards and Other Examination News

3:15 p.m. – 4:00 p.m.

This is one of those pivotal years in the history of the Uniform CPA Examination, when its contents and format are re-examined, refreshed and redesigned. How this is being done based on a practice analysis calling in CPAs, educators, candidates and psychometricians will be explained. News of international testing and administration enhancements will also be provided.

Colleen K. Conrad, CPA

Executive Vice President and Chief Operating Officer, NASBA

Michael A. Decker

Vice President – Examinations, AICPA

Frederick Niswander, CPA, Ph.D.

Chair, AICPA Board of Examiners

Strengthening Peer Review Standards Now

4:00 p.m. - 4:30 p.m.

Recent lapses in the coverage of peer review for high-risk audits have concerned the state boards and federal agencies. Steps have been taken by the AICPA and the Boards of Accountancy to prevent these from happening again. AICPA Vice President Brackens tells what new guidance has been provided to peer reviewers and reviewed firms, and Mr. Wright relates what his board did when they learned of problems in their state.

MODERATOR:

Janice L. Gray, CPA

Chair, NASBA Compliance Assurance Committee

Director-at-Large, NASBA

Managing Member, Gray, Blodgett & Company, PLLC, Normal, OK

SPEAKERS:

James W. Brackens, Jr., CPA, CGMA

Vice President – Ethics and Practice Quality, AICPA

Andy L. Wright

Associate Director – Investigator, Mississippi Board of Accountancy

RECESS

4:30 p.m.

GALA: National Museum for Women in the Arts

6:30 p.m. – 9:30 p.m.

Depart from Penn Avenue Entrance (Penn Avenue Level)

Join us for a capstone celebration at the National Museum for Women in the Arts. Founded in 1987, NMWA is the only major museum in the world solely dedicated to recognizing women's creative contributions. You will enjoy dinner, live music and the opportunity to explore the museum! We will be boarding buses from the Penn Avenue entrance at 6:00 p.m.

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WEDNESDAY, NOVEMBER 5, 2014

Presidents' / Chairs' Breakfast Meeting

8:00 a.m. – 9:15 a.m.

Penn Avenue Terrace (Lobby Level)

State board presidents and chairs are invited to meet with the members of the NASBA Board of Directors for an exchange of ideas during a buffet breakfast.

MODERATOR:

Walter C. Davenport, CPA
Chair 2014-15, NASBA

Executive Directors' and State Board Staff's Breakfast Meeting

8:00 a.m. – 9:15 a.m.

Congressional (Lobby Level)

State board administrative staff will have an opportunity to informally gather for breakfast as they update each other on their states' activities.

MODERATOR:

Russ Friedewald
Chair 2014-15, Executive Directors Committee
Executive Director, Illinois Board of Examiners

State Society and Professional Association Representatives' Breakfast

8:00 a.m. – 9:15 a.m.

Dirksen (Meeting Room Level)

Come have breakfast and chat with colleagues and NASBA's Director of Legislative & Governmental Affairs. Consider ways to increase board diversity and to facilitate cooperative efforts for the public's benefit as well as for the professionals the boards license.

MODERATOR:

John Johnson
Director of Legislative & Governmental Affairs, NASBA

Breakfast for Other Participants (All Welcome)

8:00 a.m. – 9:15 a.m.

Capitol Ballroom (Ballroom Level)

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WEDNESDAY, NOVEMBER 5, 2014 CONTINUED

★ Morning Plenary Session ★
9:30 a.m. – Noon Grand Ballroom (Ballroom Level)

PRESIDING:

Walter C. Davenport, CPA
Chair 2014-15, NASBA

Reports from Selected Committees

9:30 a.m. – 10:30 a.m.

This has been a year of action as well as contemplation for NASBA, with some groups completing their charges, others continuing to meet them, and new groups being formed. Boards were able to act in a timely manner based on increased legislative tracking and guidance provided to them by NASBA.

Standard Setting Study Group

Gaylen R. Hansen, CPA
Chair, Standard Setting Study Group
Past Chair, NASBA

Leadership Development Group

Samuel K. Cotterell, CPA
Member, Leadership Development Group
Past Chair, NASBA

Trends for the 2015 Legislative Session

John Johnson
Director of Legislative & Governmental Affairs, NASBA

Questions and Answers

10:30 a.m. - 10:45 a.m.

Legal Case Update

10:45 a.m. – 11:15 a.m.

A NASBA meeting would seem incomplete without an update on what is happening in the courts from NASBA Legal Counsel Noel Allen. Once again, we have asked him to hone in on just four cases that every accountancy board member should be aware of and keep in mind as they exercise their regulatory roles.

Noel L. Allen, Esq.
Legal Counsel, NASBA
Allen, Pinnix & Nichols, P.A., Raleigh, NC

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Questions for NASBA Leaders

11:15 a.m. – 11:30 a.m.

Chair Walter C. Davenport and President Ken L. Bishop take questions from the audience.

Closing Comments on 2014 Annual Meeting

11:30 a.m. – 11:40 a.m.

Incoming NASBA Chair Davenport summarizes some of the Meeting's highlights and tells how he will carry forward these ideas during his year in office.

Walter C. Davenport, CPA

Chair 2014-15, NASBA

Super Raffle

11:40 a.m. – Noon

NASBA Communications Director Thomas Kenny and staff hold a fun-filled raffle giving away valuable prizes. Only those in the room will be eligible to be winners. So be sure to be there to win – and to clap.

NASBA Annual Meeting Adjourns

Noon

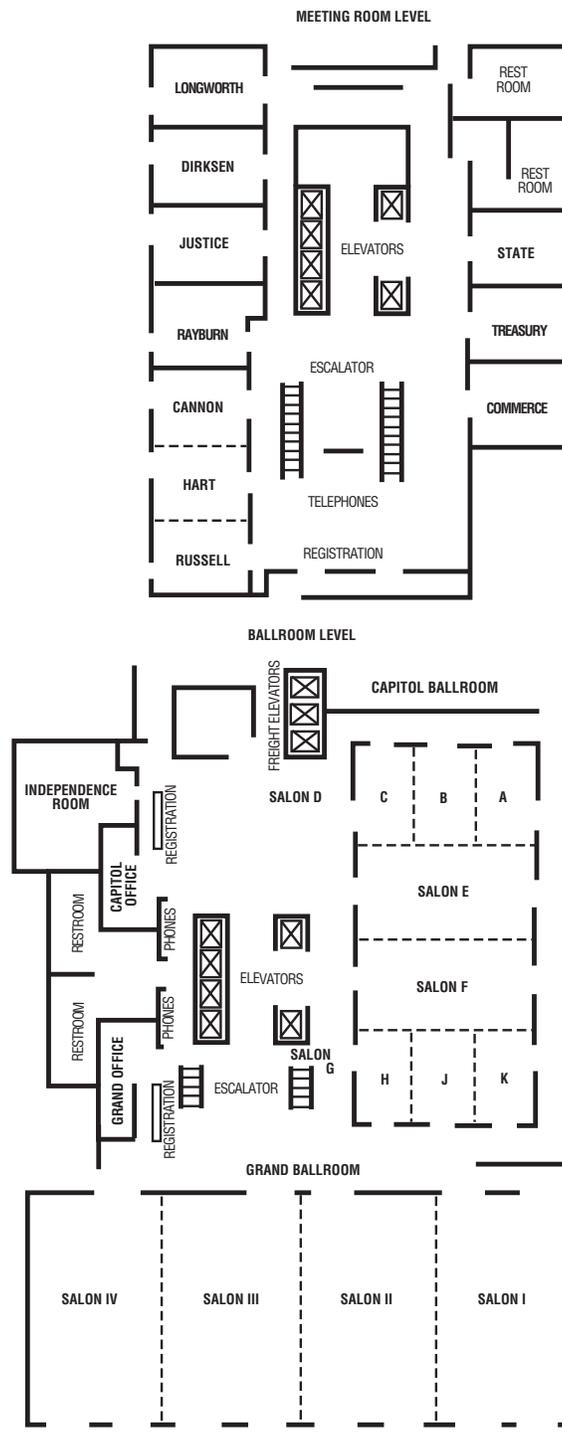
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J.W.MARRIOTT WASHINGTON, D.C. PROPERTY MAP





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CBA Item II.C.
July 22-23, 2015

Comments Regarding the American Institute of Certified Public Accountants and NASBA Exposure Draft Regarding Statement on Standards for Continuing Education (CPE) Programs

Presented by: Gina Sanchez, Chief, Licensing Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the joint American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA) Exposure Draft regarding proposed changes to the Statement on Standards for Continuing Professional Education Programs (*Standards*) (**Attachment 1**).

Action(s) Needed

The CBA will be asked to review and discuss the attached exposure draft and determine if a comment letter should be submitted on behalf of the CBA prior to the conclusion of the comment period on October 1, 2015.

Background

The AICPA and NASBA jointly issue the *Standards*, which is a national benchmark for the development of all accounting-related continuing education (CE) programs. The *Standards* were last revised in 2012. In February 2015, the AICPA and NASBA Joint Committee of Continuing Education Standards reviewed and finalized its recommendation of changes to the *Standards*. AICPA and NASBA Board of Directors approved the recommendation for the exposure draft at their April 2015 meetings. The Joint CPE Standards Committee will review and consider the comments submitted during the comment period and present the *Standards* to the AICPA and NASBA Boards of Directors for final approval at their meetings in late January 2016.

California is unique from most other states in that, rather than pre-approve CE¹ providers or programs, the CBA requires licensees to select appropriate programs from CE providers that conform to the minimum program requirements outlined in Article 12 of the CBA Regulations. The only exception is the two-hour Board-approved Regulatory Review course that licensees are required to complete once every six years. Although many of the CE program requirements outlined in Article 12 of the CBA

¹ The CBA refers to education received from providers as continuing education (CE). However, NASBA refers to education as continuing professional education (CPE).

Comments Regarding the American Institute of Certified Public Accountants and NASBA Exposure Draft Regarding Statement on Standards for Continuing Education (CPE) Programs

Page 2 of 5

Regulations mirror the *Standards*, the CBA maintains independence in the establishment of minimum program requirements for acceptable CE in California.

Comments

The overall recommended changes to the *Standards* pertain primarily to CE provider requirements; however, the exposure draft contains minor revisions, modifications, and clarifications to many of the *Standards*. Outlined below are the relevant changes that address live programs and self-study, which are minor language changes. Also identified below are two new categories of CE delivery methods called nano and blended learning which provide a more personalized and on-demand approach to CE. A comparison to CBA Regulations is also provided.

Live Programs (Standard No. 7-01, 7-02, 7-03, page 7)

Standard 7-01 has been added for program development with live programs requiring an element of participant engagement per CPE credit. For example, participant engagements can include a group discussion, polling questions, instructor-posed questions with time for participant reflection, or use of a case study with different engagement elements throughout the program.

Standard 7-02 was added to clarify the requirements of group live programs as it relates to a real time instructor. Group live programs must have a real time instructor while the program is being presented to allow the participants to interact with the instructor, to pose questions and receive feedback.

Standard 7-03 was added to clarify the requirements of recorded group live programs with no real time instructor. A group live program that has been recorded for future use that does not include a real time subject matter facilitator is no longer considered a group live program and will be classified only as a self study program.

CBA comparison:

In relation to Standard 7-01, CBA Regulations section 88.2(a) does not require participant engagements for live programs (**Attachment 2**).

In relation to Standard 7-02, CBA Regulations section 88.1(a) does not specify a real time instructor is required for live programs (**Attachment 3**).

In relation to Standard 7-03, this requirement is addressed in CBA Regulations section 88.1(b)(3) as it pertains to webcast programs (**Attachment 3**). However, this requirement is not addressed in regulations pertaining to live programs.

Self-Study (Standard No. 9, page 7)

Additions and clarifications to self-study program requirements have been recommended. In lieu of review questions, simulations and other innovative tools that

Comments Regarding the American Institute of Certified Public Accountants and NASBA Exposure Draft Regarding Statement on Standards for Continuing Education (CPE) Programs

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guide participants through structured decisions can be used (Standard No. 9-02). An innovative tool is not defined within the *Standards* and could encompass a variety of methods of learning.

Participants are required to complete a qualified assessment during or after the program with a cumulative minimum passing score of at least 70 percent before being issued CE credit (Standard No. 9-04). This Standard also requires a representative number of learning objectives be included in the qualified assessment.

CBA comparison:

CBA Regulation 88.2(c)(2) specifically requires frequent responses to test for the understanding of the material presented and feedback to questions during the course (**Attachment 2**). CBA Regulations do not address the ability to use simulation and other innovative tools. If innovative tools were to be incorporated into CBA Regulations, innovative tools would need to be clearly defined.

CBA Regulations section 88.2(c)(4) requires a qualified assessment (by way of a test) to be given at the conclusion of the course (**Attachment 2**).

Nano-learning (Standard No. 10, page 9)

Nano-learning is defined as a tutorial program designed to permit a participant to learn a given subject in a 10-minute timeframe through the use of electronic media (including technology applications and processes and computer-based or web-based technology) and without interaction with a real time instructor.

Standards summary:

- Education is allowed at 10-minute intervals with CE credit awarded at .2 hours
- A qualified assessment of two questions is required upon completion of all programs and included as part of the 10-minute interval
- No real time instructor is required throughout the program
- There are exclusions to acceptable nano-learning programs (programs only requiring the reading of general professional literature, IRS publications or reference manuals followed by an assessment will not be acceptable).
- A Certificate of Completion is issued

CBA comparison:

- CBA Regulations section 88.2 (**Attachment 2**) requires CE credit be granted in 50-minute (one hour) increments with the exception of self-study programs which may now be claimed in one-half hour increments. For programs longer than one 50-minute class hour, CE credit is allowed in half-hour or 25 minute increments.
- CBA Regulations section 88 (**Attachment 4**) allows for the following formats of CE programs:
 - Live presentations

Comments Regarding the American Institute of Certified Public Accountants and NASBA Exposure Draft Regarding Statement on Standards for Continuing Education (CPE) Programs

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- University or college course
- Group Internet-Based Programs (Webcast)
- Formal correspondence or other individual study programs
- Self-study modules
- Credit as an instructor (maximum credit of 40 hours or 50% of required CE)
- Credit may be allowed by the CBA on an hour-for-hour basis for the following activities (maximum credit of 20 hours or 25% of required CE):
 - Writing published articles and books provided the publisher is not under the control of the licensee
 - Writing instructional materials for any CE program
 - Writing questions for the Uniform Certified Public Accountant Examination
 - Performing a technical review of instructional materials for any CE program
- CBA Regulations section 87(b) (**Attachment 5**) requires ethics education courses must be a minimum of one hour.

If the CBA were to incorporate the nano-learning method, the CBA would need to re-evaluate its processes for the CE verification programs, which are in place to ensure licensees have completed 80 hours of CE in order to renew their license in an active status. Presently, the CBA performs 100 percent worksheet review, requiring staff to review each course completed and documented on the CE worksheet reporting form. Additionally, staff reviews certificates of completion when conducting audits to verify completion of 80 hours of CE. The CBA would incur increased timeframes in the review of these processes if nano-learning were to be implemented.

Blended learning (Standard No. 11, page 10)

Blended learning is defined as an educational program incorporating multiple learning formats within the same program. These programs must use instructional methods that clearly define learning objectives and guide the participant through a program of learning. Pre-program, post program and/or homework assignment should enhance the learning program experience and must relate to the defined learning objectives of the program. Blended learning is a type of instructional design providing a connection between online and off-line environments. Furthermore, blended learning allows increased student-to-student, and student-to-teacher collaboration that is personalized with control centered to the learner.

Standards summary:

- Components of a CE program may contain:
 - Different learning or instructional methods (lectures, discussion, guided practice, reading games, case study, simulation)
 - Different delivery methods (group live, group internet based, nano-learning, self-study)

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- Different levels of guidance (individual, instructor or subject matter expert led, group/social learning)
- A qualified assessment is required if the primary component is an asynchronous learning activity (a learning activity in which the participant has control over time, place and/or pace of learning)
- Group live or group internet based assessments can be no more than 25% of the awarded CE credit

CBA Comparison:

- CBA Regulations section 88 (**Attachment 4**) allows for the aforementioned formats with the exception of nano-learning within the CE program
- CBA Regulations do not specify if the programs can provide multiple formats within the program components
- CBA Regulations do not limit the amount of CE credit to be awarded under a specific format

If the *Standards* are approved, it is anticipated they would be effective January 2016. If the CBA decides to incorporate any of the *Standards* into the CE requirements of California CPAs, amendments to the CBA Regulations would be required.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff have no recommendation at this time. However, should members wish to submit a comment on the *Standards*, it is requested that members provide guidance to staff regarding the topics it wishes to include in the letter. Members may want to consider the impact nano-learning will have on California and states that have a CE verification process as it deliberates the contents of any possible comment letter.

Staff will provide any proposed comment letter for consideration at the September 2015 meeting.

Attachments

1. Exposure Draft: Statement of Standards for CPE Programs (red-lined version)
2. CBA Regulations section 88.2
3. CBA Regulations section 88.1
4. CBA Regulations section 88
5. CBA Regulations section 87

Statement on Standards for Continuing Professional Education (CPE) Programs

Red-lined Draft of Recommended
Changes to the 2012 Standards

As of April 1, 2015

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Introduction

Continuing professional education is required for CPAs to maintain their professional competence and provide quality professional services. CPAs are responsible for complying with all applicable CPE requirements, rules and regulations of state boards of accountancy, as well as those of membership associations and other professional organizations.

The Statement on Standards for Continuing Professional Education (CPE) Programs (*Standards*) is published jointly by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) to provide a framework for the development, presentation, measurement, and reporting of CPE programs. The *Standards* were last revised in ~~2002~~2012.

~~In May 2010, NASBA and the CPE Advisory Committee provided a forum for an open and candid discussion of the *Standards*. A key outcome of the forum was to develop a Task Force to help review, analyze and implement suggestions and changes to the *Standards*.~~

~~The NASBA CPE Advisory Committee with input from NASBA leadership selected 13 Task Force participants. Careful consideration was given as to the composition of the Task Force to ensure that all facets of the CPE community were represented. The Task Force is comprised of CPE program sponsors; CPE Advisory Committee members; state board of accountancy members; state society members; educators and a representative of the AICPA (provider side).~~

~~The Task Force developed its recommended revisions to the *Standards* and presented its recommendations to a Joint CPE Standards Committee made up of representatives from the AICPA and NASBA. The Joint CPE Standards Committee presented its recommendation to the respective AICPA and NASBA Boards of Directors. In August 2011, the *Standards* exposure draft was released for comment. The revisions to the *Standards* were approved by the AICPA Board of Directors and the NASBA Board of Directors in January 2012.~~

The *Standards* are periodically reviewed in their entirety by the CPE Standards Working Group (Working Group). The Working Group is comprised of 13 members representing the various stakeholders in the CPE arena, including state boards of accountancy, state societies, educators, CPE providers, and the AICPA. If the Working Group determines that revisions or modifications are required, then the Working Group will make its recommendations to NASBA's CPE Committee (CPE Committee), which in turn makes recommendations to the Joint AICPA/NASBA CPE Standards Committee (Joint Committee). The Joint Committee will then make its recommendation to the respective AICPA and NASBA Boards of Directors. Any revisions or modifications to the *Standards* will be posted to the AICPA and NASBA websites for comment.

The *Standards* are intended to be an "evergreen" document. As questions arise related to implementation and application of the *Standards*, the questions will be presented to the ~~CPE Standards~~ Working Group ~~whose composition will be similar to that of the Task Force~~. The ~~CPE Standards~~ Working Group ~~will~~ meets quarterly and scheduled meeting dates ~~are~~will be posted on the NASBA website, LearningMarket.org. NASBA will communicate the findings of the ~~CPE Standards~~ Working Group to the specific CPE program sponsor. Authoritative interpretations will only be issued by the CPE ~~Advisory~~ Committee in limited cases when the matter is not addressed in the *Standards*, cannot be addressed specifically with the CPE program sponsor, or cannot be addressed in the Best Practices ~~document~~web pages. All interpretations issued by the CPE ~~Advisory~~ Committee will be reviewed and considered by the Joint ~~AICPA/NASBA CPE Standards~~ Committee upon the next revision of the *Standards*.

Preamble

01. The right to use the title "Certified Public Accountant" (CPA) is regulated by each state's board of accountancy in the public interest and imposes a duty to maintain public confidence and current knowledge, skills, and abilities in all areas in which they provide services. CPAs must accept and fulfill their ethical responsibilities to the public and the profession regardless of their fields of employment.¹

02. The profession of accountancy is characterized by an explosion of relevant knowledge, ongoing changes and expansion, and increasing complexity. Advancing technology, globalization of commerce, increasing specialization, proliferating regulations, and the complex nature of business transactions have created a dynamic environment that requires CPAs to continuously maintain and enhance their knowledge, skills, and abilities.

03. The continuing development of professional competence involves a program of lifelong educational activities. Continuing Professional Education (CPE) is the term used in these ~~standards~~ Standards to describe the educational activities that assist CPAs in achieving and maintaining quality in professional services.

04. The following ~~standards~~ Standards have been broadly stated in recognition of the diversity of practice and experience among CPAs. They establish a framework for the development, presentation, measurement, and reporting of CPE programs and thereby help to ensure that CPAs receive the quality CPE necessary to satisfy their obligations to serve the public interest. These ~~standards~~ Standards may also apply to other professionals by virtue of employment or membership. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit.

05. Advances in technology, delivery and workplace arrangements may lead to innovative learning techniques. Learning theory ~~may evolve~~ is evolving to include more emphasis on outcome based learning. These ~~standards~~ Standards anticipate innovation in CPE in response to these advances. Sponsors must ensure innovative learning techniques are in compliance with the ~~standards~~ Standards. CPE program sponsors are encouraged to consult with NASBA ~~with regarding~~ questions related to compliance with the ~~standards~~ Standards when utilizing innovative techniques.

06. These ~~standards~~ Standards create a basic foundation for sound educational programs. Sponsors may wish to provide enhanced educational and evaluative techniques to all programs.

¹ The term "CPAs" is used in these ~~standards~~ Standards to identify all persons who are licensed and/or regulated by boards of accountancy.

Article I - Definitions

Advanced. Program knowledge level most useful for individuals with mastery of the particular topic. This level focuses on the development of in-depth knowledge, a variety of skills, or a broader range of applications. Advanced level programs are often appropriate for seasoned professionals within organizations; however, they may also be beneficial for other professionals with specialized knowledge in a subject area.

~~**Archived.**—A learning activity through which a group program has been recorded for future use.~~
~~**Asynchronous.** A learning activity in which the participant has control over time, place and/or pace of learning.~~

Basic. Program knowledge level most beneficial to CPAs new to a skill or an attribute. These individuals are often at the staff or entry level in organizations, although such programs may also benefit a seasoned professional with limited exposure to the area.

~~**Blended learning program.** An educational program incorporating multiple learning formats.~~

Continuing Professional Education (CPE). An integral part of the lifelong learning required to provide competent service to the public. The set of activities that enables CPAs to maintain and improve their professional competence.

CPE credit hour. Fifty minutes of participation in a program of learning.

CPE program sponsor. The individual or organization responsible for issuing the certificate of completion, and maintaining the documentation required by these ~~standards~~Standards. The term CPE program sponsor may include associations of CPAs, whether formal or informal, as well as employers who offer in-house programs.

Evaluative feedback. Specific response to incorrect answers to questions in self-study programs.

~~**Group internet-Internet based program.** An educational process designed to permit a participant to learn a given subject through interaction with an instructor by using the Internet.~~
~~Synchronous learning on an individual basis with real time interaction of an instructor or subject matter expert and built-in processes for attendance and interactivity.~~

~~**Group live program.** An educational process designed to permit a participant to learn a given subject through interaction with an instructor and other participants either in a classroom or conference setting.~~
~~Synchronous learning in a group environment with real time interaction of an instructor or subject matter expert that provides the required elements of attendance monitoring and engagement.~~

Group program. Any group live or group ~~internet-Internet~~ based programs.

Independent study. An educational process designed to permit a participant to learn a given subject under a learning contract with a CPE program sponsor.

Instructional methods. Delivery strategies such as case studies, computer-assisted learning, lectures, group participation, programmed instruction, ~~teleconferencing~~, use of audiovisual aids, or work groups employed in group, self-study, or independent study programs or other innovative programs.

Intermediate. Program knowledge level that builds on -a basic program, most appropriate for CPAs with detailed knowledge in an area. Such persons are often at a mid-level within the organization, with operational and/or supervisory responsibilities.

~~**Internet-based programs.**—A learning activity through a group program or a self-study program that is designed to permit a participant to learn the given subject matter via the Internet.—To qualify as either a~~

~~group or self study program, the Internet learning activity must meet the respective standards.~~

Learning activity. An educational endeavor that maintains or improves professional competence.

Learning contract. A written contract signed by an independent study participant and a qualified CPE program sponsor prior to the commencement of the independent study.

Learning objectives. Specifications on what participants should accomplish in a learning activity. Learning objectives are useful to program developers in deciding appropriate instructional methods and allocating time to various subjects.

Nano-learning program. A tutorial program designed to permit a participant to learn a given subject in a ten-minute timeframe through the use of electronic media (including technology applications and processes and computer-based or web-based technology) and without interaction with a real time instructor.

Overview. Program knowledge level that provides a general review of a subject area from a broad perspective. These programs may be appropriate for professionals at all organizational levels.

Pilot test. A method to determine the recommended CPE credit for self study programs which involves ~~Sampling~~ of at least three individuals independent of the development team and representative of the intended participants to measure the representative completion time ~~as one method to determine the recommended CPE credit for self study programs.~~

Pre-program assessment. Assessment that is given before the participant has access to the course content of the program.

Professional competence. Having requisite knowledge, skills, and abilities to provide quality services as defined by the technical and ethical standards of the profession. The expertise needed to undertake professional responsibilities and to serve the public interest.

Program of learning. A collection of learning activities that are designed and intended as continuing education and that comply with these ~~standards~~ Standards.

Qualified Assessment. Method of measuring the achievement of a representative number of the learning objectives of the learning activity.

Reinforcement feedback. Specific responses to correct answers to questions in self-study programs.

Self study program. ~~An educational process designed to permit a participant to learn a given subject without involvement of an instructor.~~ An educational program completed individually without the assistance or interaction of a real time instructor.

Social learning. Learning from one's peers in a community of practice through observation, modeling and application.

Synchronous. Participants engage in learning activity(ies) at the same time.

Tutorial. A tutorial is a method of transferring knowledge that is more interactive and specific than a book, lecture or article. A tutorial seeks to teach by example and supply the information to complete a certain task.

Word count formula. A method, detailed under S14S17-05 Method 2, to determine the recommended CPE credit for self study programs that uses a formula including word count of learning material, number of questions and exercises, and duration of audio and video segments.

Update. Program knowledge level that provides a general review of new developments. This level is for

participants with a background in the subject area who desire to keep current.

Article II – General Guidelines for CPAs

2.01 Professional Competence. All CPAs should participate in learning activities that maintain and/or improve their professional competence.²

Selection of learning activities should be a thoughtful, reflective process addressing the individual CPA's current and future professional plans, current knowledge and skills level, and desired or needed additional competence to meet future opportunities and/or professional responsibilities.

CPAs fields of employment do not limit the need for CPE. CPAs performing professional services need to have a broad range of knowledge, skills, and abilities. Thus, the concept of professional competence may be interpreted broadly. Accordingly, acceptable continuing education encompasses programs contributing to the development and maintenance of professional skills.

The fields of study [as published on NASBA's website, www.learningmarket.org,](http://www.learningmarket.org) represent the primary knowledge and skill areas needed by CPAs to perform professional services in all fields of employment.

To help guide their professional development, CPAs may find it useful to develop a learning plan. Learning plans are structured processes that help CPAs guide their professional development. They are dynamic instruments used to evaluate and document learning and professional competence development. They may be reviewed regularly and modified as CPAs' professional competence needs change. Plans include: a self-assessment of the gap between current and needed knowledge, skills, and abilities; a set of learning objectives arising from this assessment; and learning activities to be undertaken to fulfill the learning plan.

2.02 CPE Compliance. CPAs must comply with all applicable CPE requirements.

CPAs are responsible for compliance with all applicable CPE requirements, rules, and regulations of state licensing bodies, other governmental entities, membership associations, and other professional organizations or bodies. CPAs should contact each appropriate entity to which they report to determine its specific requirements or any exceptions it may have to the standards presented herein.

Periodically, CPAs participate in learning activities which do not comply with all applicable CPE requirements, for example specialized industry programs offered through industry sponsors. If CPAs propose to claim credit for such learning activities, they must retain all relevant information regarding the program to provide documentation to state licensing bodies and/or all other professional organizations or bodies that the learning activity is equivalent to one which meets all these standards.

2.03 CPE Credits Record Documentation. CPAs are responsible for accurate reporting of the appropriate number of CPE credits earned and must retain appropriate documentation of their participation in learning activities.

To protect the public interest, regulators require CPAs to document maintenance and enhancement of professional competence through periodic reporting of CPE. For convenience, measurement is expressed in CPE credits. However, the objective of CPE must always be maintenance/enhancement of professional competence, not attainment of credits. Compliance with regulatory and other requirements mandates that CPAs keep documentation of their participation in activities designed to maintain and/or improve

² The terms "should" and "must" are intended to convey specific meanings within the context of this *Joint AICPA/NASBA Statement on Standards for Continuing Professional Education Programs*. The term "must" is used in the ~~standards-Standards~~ applying to CPAs and CPE program sponsors to convey that CPAs and CPE program sponsors are not permitted any departure from those specific ~~standardsStandards~~. The term "should" is used in the ~~standards-Standards~~ applying to both CPAs and CPE program sponsors and is intended to convey that CPAs and CPE program sponsors are encouraged to follow such ~~standards-Standards~~ as written.

professional competence. In the absence of legal or other requirements, a reasonable policy is to retain documentation for a minimum of five years from the end of the year in which the learning activities were completed.

Participants must document their claims of CPE credit. Examples of acceptable evidence of completion include:

- For group, blended learning and independent study programs, a certificate or other verification supplied by the CPE program sponsor.
- For self-study and nano-learning programs, a certificate supplied by the CPE program sponsor after satisfactory completion of an examination or a qualified assessment.
- For instruction credit, appropriate supporting documentation that complies with the requirements of the respective state boards subject to the guidelines in Standard No. 45-20 in Standards for CPE Program Measurement.
- For a university or college course that is successfully completed for credit, a record or transcript of the grade the participant received.
- For university or college non-credit courses, a certificate of attendance issued by a representative of the university or college.
- For published articles, books, or CPE programs, (1) a copy of the publication (or in the case of a CPE program, course development documentation) that names the writer-CPA as author or contributor, (2) a statement from the writer supporting the number of CPE hours claimed, and (3) the name and contact information of the independent reviewer(s) or publisher.

2.04 Reporting CPE Credits. CPAs who complete sponsored learning activities that maintain or improve their professional competence must claim no more than the CPE credits recommended by CPE program sponsors subject to the state board regulations.

CPAs may participate in a variety of sponsored learning activities, ~~such as workshops, seminars and conferences, self-study courses, Internet-based programs, and independent study~~. While CPE program sponsors determine credits, CPAs must claim credit only for activities through which they maintained or improved their professional competence. CPAs who participate in only part of a program must claim CPE credit only for the portion they attended or completed.

2.05 Independent Study. CPAs may engage in independent study under the direction of a CPE program sponsor who has met the applicable standards for CPE program sponsors when the subject matter and level of study maintain or improve their professional competence.

Independent study is an educational process designed to permit a participant to learn a given subject under the guidance of a CPE program sponsor. Participants in an independent study program must:

- Enter into a written learning contract with a CPE program sponsor that must comply with the applicable standards for CPE program sponsors. A learning contract:
 1. Specifies the nature of the independent study program and the time frame over which it is to be completed, not to exceed 15 weeks.
 2. Specifies that the output must be in the form of a written report that will be reviewed by the CPE program sponsor or a qualified person selected by the CPE program sponsor.
 3. Outlines the maximum CPE credit that will be awarded for the independent study program, but limits credit to actual time spent.
- Accept the written recommendation of the CPE program sponsor as to the number of credits to be earned upon successful completion of the proposed learning activities. CPE credits will be awarded only if:
 1. All the requirements of the independent study as outlined in the learning contract are met,
 2. The CPE program sponsor reviews and signs the participant's report,
 3. The CPE program sponsor reports to the participant the actual credits earned, and
 4. The CPE program sponsor provides the participant with contact information.

The maximum credits to be recommended by an independent study CPE program sponsor must be agreed upon in advance and must be equated to the effort expended to improve professional competence. The credits cannot exceed the time devoted to the learning activities and may be less than the actual time involved.

- Retain the necessary documentation to satisfy regulatory requirements as to the content, inputs, and outcomes of the independent study.

Article III – Standards for CPE Program Sponsors

3.01 - General Standards

Standard No. 1. CPE program sponsors are responsible for compliance with all applicable ~~s~~Standards and other CPE requirements.

S1 - 01. CPE requirements of licensing bodies and others. CPE program sponsors may have to meet specific CPE requirements of state licensing bodies, other governmental entities, membership associations, and/or other professional organizations or bodies. Professional guidance for CPE program sponsors is available from NASBA; state-specific guidance is available from the state boards of accountancy. CPE program sponsors should contact the appropriate entity to determine requirements.

3.02 - Standards for CPE Program Development

Standard No. 2. Sponsored learning activities must be based on relevant learning objectives and outcomes that clearly articulate the knowledge, skills, and abilities that ~~can~~ should be achieved by participants in the learning activities.

S2 - 01. Program knowledge level. Learning activities provided by CPE program sponsors for the benefit of CPAs must specify the knowledge level, content, and learning objectives so that potential participants can determine if the learning activities are appropriate to their professional competence development needs. Knowledge levels consist of basic, intermediate, advanced, update, and overview.

Standard No. 3. CPE program sponsors must develop and execute learning activities in a manner consistent with the prerequisite education, experience, and/or advance preparation of participants.

S3 - 01. Prerequisite education and experience. To the extent it is possible to do so, CPE program sponsors should make every attempt to equate program content and level with the backgrounds of intended participants. All programs must clearly identify prerequisite education, experience, and/or advance preparation, if any, in precise language so that potential participants can readily ascertain whether they qualify for the program.

Standard No. 4. CPE program sponsors must use activities, materials, and delivery systems that are current, technically accurate, and effectively designed. ~~All courses~~ Course documentation must contain the most recent publication, revision or review date. Courses must be revised as soon as feasible following changes to relative codes, laws, rulings, decisions, interpretations, etc. Courses in subjects that undergo frequent changes must be reviewed by an individual with subject matter expertise at least once a year to verify the currency of the content. Other courses must be reviewed at least every two years.

S4 - 01. Developed by a subject matter expert. Learning activities must be developed by individuals or teams having expertise in the subject matter. Expertise may be demonstrated through practical experience and/or education.

Standard No. 5. CPE program sponsors of group, ~~and self-study,~~ nano-learning, and/or blended learning programs must ensure learning activities are reviewed by qualified persons other than those who developed the programs to assure that the program is technically accurate and current and addresses the stated learning objectives. These reviews must occur before the first presentation of these materials and again after each significant revision of the CPE programs.

The participation of at least one licensed CPA (in good standing and holding an active license or its equivalent) is required in the development of every program in accounting and auditing. The participation of at least one licensed CPA, tax attorney, or IRS enrolled agent (in good standing and holding an active license or its equivalent) is required in the development of each program in the field of study of taxes. As long as this requirement is met at some point during the development process, a program would be in compliance. Whether to have this individual involved during the development or the review process is at the CPE program sponsor's discretion.

S5 - 01. Qualifications of reviewers. Individuals or teams qualified in the subject matter must review programs. When it is impractical to review certain programs in advance, such as lectures given only once, greater reliance should be placed on the recognized professional competence of the instructors or presenters. Using independent reviewing organizations familiar with these ~~s~~Standards may enhance quality assurance.

S5 – 02. Review responsibilities if content purchased from another entity. CPE program sponsors may purchase course content from other entities and developers. The organization that issues the certificate of completion under its name to the participants of the program is responsible for compliance with all Standards and other CPE requirements.

If a CPE program sponsor plans to issue certificates of completion under its name, then the CPE program sponsor must first consider whether the content was purchased from an entity registered with NASBA on the National Registry of CPE Sponsors.

- If the content is purchased from a sponsor registered with NASBA on the National Registry of CPE Sponsors, then the CPE program sponsor may maintain the author/developer and reviewer documentation from that sponsor in order to satisfy the content development requirements of the Standards. The documentation should be maintained as prescribed in Standard No. 24.
- If the content is purchased from an entity not registered with NASBA on the National Registry of CPE Sponsors, then the CPE program sponsor must independently review the purchased content to ensure compliance with the Standards. If the CPE program sponsor does not have the subject matter expertise on staff, then the CPE program sponsor must contract with a qualified individual to conduct the review. The CPE program sponsor must maintain the appropriate documentation regarding the credentials and experience of both the course author/developer(s) and reviewer(s) as prescribed in Standard No. 24.

Standard No. 6. CPE program sponsors of independent study learning activities must be qualified in the subject matter.

S6 - 01. Requirements of independent study sponsor. A CPE program sponsor of independent study learning activities must have expertise in the specific subject area related to the independent study. The CPE program sponsor must also:

- Review, evaluate, approve, and sign the proposed independent study learning contract, including agreeing in advance on the number of credits to be recommended upon successful completion.
- Review and sign the written report developed by the participant in independent study.
- Retain the necessary documentation to satisfy regulatory requirements as to the content, inputs, and outcomes of the independent study.

Standard No. 7. Group live programs must employ instructional methods that clearly define learning objectives, guide the participant through a program of learning and include elements of

engagement within the program.

S7 – 01. Required elements of engagement. Each credit of CPE in a group live program must include at least one element of engagement related to course content (for example: group discussion; polling questions; instructor-posed question with time for participant reflection; and/or use of a case study with different engagement elements throughout the program).

S7 – 02. Real time instructor during program presentation. Group live programs must have a real time instructor while the program is being presented. Program participants must be able to interact with the real time instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation). Once a group live program is recorded for future presentation, it will continue to be considered a group live program only where a real time subject matter expert facilitates the recorded presentation. CPE credit for a recorded group live program facilitated by a real time subject matter expert will be equal to the CPE credit awarded to the original presentation.

S7-03. No real time instructor during recorded program presentation. A group live program that is recorded for future presentation that does not include a real time subject matter facilitator is no longer a group live program and will only be classified as a self study program if it meets all self study delivery method requirements with the exception of the basis for CPE credit. CPE credit for a recorded group live program not facilitated by a real time subject matter expert will be equal to the CPE credit awarded to the original presentation or it may be determined by either of the two self study credit determination methodologies described in Standard No. 17: pilot testing or the prescribed word count formula, at the sponsor's discretion.

Standard No. 87. Group ~~internet~~–**Internet** based programs must employ **learning methodologies/instructional methods** that clearly define learning objectives, guide the participant through **the learning process** a program of learning, and provide evidence of a participant's satisfactory completion of the program.

S87 - 01. Real time~~Live~~ **instructor during program presentation.** Group ~~internet~~–**Internet** based programs must have a ~~real time~~~~live~~ instructor while the program is being presented. Program participants must be able to interact with the ~~real time~~~~live~~ instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation). Once a group ~~internet~~–**Internet** based program is recorded ~~or archived~~ for future presentation, it will continue to be considered a group ~~internet~~–**Internet** based program only where a ~~real time~~~~live~~ subject matter expert facilitates the recorded presentation. ~~Any future presentations that do not include a live subject matter expert will be considered a self study program and must meet all self study delivery method requirements with the exception of the basis for CPE credit.~~ CPE credit for an ~~archived~~–recorded group Internet based program, facilitated by a real time subject matter expert, will be equal to the CPE credit awarded to the original presentation.

S8 – 02. No real time instructor during recorded program presentation. A group Internet based program that is recorded for future presentation that does not include a real time subject matter facilitator is no longer a group Internet based program and will only be classified as a self study program if it meets all self study delivery method requirements with the exception of the basis for CPE credit. CPE credit for a recorded group Internet based program not facilitated by a real time subject matter expert will be equal to the CPE credit awarded to the original presentation or it may be determined by either of the two self study credit determination methodologies described in Standard No. 17: pilot testing or the prescribed word count formula, at the sponsor's discretion.

Standard No. 98. Self study programs must use **learning methodologies/instructional methods** that clearly define learning objectives, guide the participant through **the learning process** a program of learning, and provide evidence of a participant's satisfactory completion of the program.

S98 - 01. Guide participant through learning process a program of learning. To guide participants through a ~~learning process~~program of learning, CPE program sponsors of self-study programs must elicit participant responses to test for understanding of the material. ~~Learners must participate in activities during~~

~~instruction to demonstrate achievement of learning objectives.~~ Appropriate feedback must be provided. ~~Achievement of learning objectives~~Satisfactory completion of the program must be confirmed during or after the course program through a final-qualified assessment.

S98 – 02. Use of review questions or other content reinforcement tools. Review questions must be placed at the end of each learning activity throughout the program in sufficient intervals to allow the ~~learner~~ participant the opportunity to evaluate the material that needs to be re-studied. If objective type questions are used, at least three review questions per CPE credit must be included or two review questions if the program is marketed for one-half CPE credits. Simulations and other innovative tools that guide participants through structured decisions can be used in lieu of review questions.

S98 – 03. Evaluative and reinforcement feedback on review questions. If the multiple choice method is used, evaluative feedback for each incorrect response must explain specifically why each response is wrong and reinforcement feedback must be provided for correct responses. If rank order or matching questions are used, then it is permissible to provide single feedback to explain the correct response. Simulations and other innovative tools that guide participants through structured decisions could provide feedback at irregular intervals or at the end of the learning experience. In those situations, single feedback would be permissible. True/false questions or other review questions that do not meet the evaluative and reinforcement feedback requirements are allowed as review questions but are not included in the number of review questions required per CPE credit. Forced choice questions, when used as part of an overall learning strategy, are allowed as review questions and can be counted in the number of review questions required per CPE credit. There is no minimum passing rate required for review questions.

S98 – 04. ~~Final examination~~Qualified assessment requirements. To provide evidence of satisfactory completion of the course, CPE program sponsors of self-study programs must require participants to successfully complete a ~~final examination~~qualified assessment during or after the program with a cumulative minimum-passing grade of at least 70 percent before issuing CPE credit for the course. ~~Examinations-Assessments~~ may contain questions of varying format (for example, multiple-choice, essay, and simulations). At least five questions/scored responses per CPE credit must be included on the ~~final examination~~qualified assessment or three ~~final exam~~assessment questions/scored responses if the program is marketed for one-half CPE credits. For example, the ~~final examination~~qualified assessment for a five-credit course must include at least 25 questions/scored responses. Alternatively, a five and one-half credit course must include at least 28 questions/scored responses. Except in courses where recall of information is the learning strategy, duplicate review and ~~final exam~~qualified assessment questions are not allowed. True/false questions are not permissible on the ~~final examination~~qualified assessment ~~in accordance with the implementation effective dates of these standards.~~

If a pre-program assessment is used in the course, then the pre-program assessment cannot be included in the determination of the recommended CPE credits for the course. If a pre-program assessment is used and feedback is provided, then duplicate pre-program assessment and qualified assessment questions are not permitted. If a pre-program assessment is used and feedback is not provided, then duplicate pre-program assessment and qualified assessment questions are permissible. Feedback may comply with the feedback for review questions as described in S9-03, or take the form of identifying correct and incorrect answers.

A qualified assessment must measure a representative number of the learning objectives for the program. A representative number of the learning objectives is 75 percent or more of the learning objectives for the program. The representative number of the learning objectives can be less than 75 percent of the learning objectives for the program only if a randomized question generator is used and the test bank used in the creation of the assessment includes at least 75 percent of the learning objectives for the program. Assessment items must be written to test the stated learning objectives of the course.

S98 – 05. Feedback on ~~final examination~~qualified assessment. Providing feedback on the ~~final examination~~qualified assessment is at the discretion of the CPE program sponsor. If the CPE program sponsor chooses to provide feedback and:

Utilizes a test bank, then the CPE program sponsor must ensure that the question test bank is of sufficient size to minimize overlap of questions on the final examination/qualified assessment for the typical repeat test-taker. Feedback may comply with the feedback for review questions as described in S8-S9 – 03, or take the form of identifying correct and incorrect answers.

Does not utilize a test bank, whether or not feedback can be given depends on whether the learner participant passes the final examination/qualified assessment, then:

- on a failed examination/assessment, the CPE program sponsor may not provide feedback to the test-taker.
- on examinations/assessments passed successfully, CPE program sponsors may choose to provide participants with feedback. This feedback may comply with the type of feedback for review questions as described in S98-03, or take the form of identifying correct and incorrect answers.

S98 – 06. Program/course expiration date. All courses/Course documentation must include an expiration date (the time by which the learner participant must complete the final examination/qualified assessment). For individual courses, the expiration date is no longer than one year from the date of purchase or enrollment. For a series of courses to achieve an integrated learning plan, the expiration date may be longer.

S98 – 07. Based on materials developed for instructional use. Self study programs must be based on materials specifically developed for instructional use and not on third party materials. Self study programs requiring only the reading of general professional literature, IRS publications, or reference manuals followed by a test will not be acceptable. However, the use of the publications and reference materials in self-study programs as supplements to the instructional materials could qualify if the self study program complies with each of the CPE standards.

Instructional materials for self study include teaching materials which are written for instructional educational purposes. These materials must demonstrate the expertise of the author(s). At a minimum, instructional materials must include the following items:

1. An overview of topics;
2. The ability to find information quickly (for example, an index, a detailed menu or key word search function);
3. The definition of key terms (for example, a glossary or a search function that takes a participant to the definition of a key word);
4. Instructions to participants regarding navigation through the course, course components, and course completion;
5. Review questions with feedback; and
6. Final exam/Qualified assessment.

Standard No. 10. Nano-learning programs must use instructional methods that clearly define a minimum of one learning objective, guide the participant through a program of learning and provide evidence of a participant's satisfactory completion of the program. Satisfactory completion of the program must be confirmed at the conclusion of the program through a qualified assessment.

S10 – 01. Qualified assessment requirements. To provide evidence of satisfactory completion of the course, CPE program sponsors of nano-learning programs must require participants to successfully complete a qualified assessment with a passing grade of 100 percent before issuing CPE credit for the course. Assessments may contain questions of varying format (for example, multiple choice, rank order, and matching). Only two questions must be included on the qualified assessment. True/false questions are not permissible on the qualified assessment. If the participant fails the qualified assessment, then the participant must re-take the nano-learning program. The number of re-takes permitted a participant is at the sponsor's discretion.

S10 – 02. Feedback on qualified assessment. Providing feedback on the qualified assessment is at the discretion of the CPE program sponsor. If the CPE program sponsor chooses to provide feedback and:

Utilizes a test bank, then the CPE program sponsor must ensure that the question test bank is of sufficient size for no overlap of questions on the qualified assessment for the typical repeat test-taker. If the multiple choice method is used, evaluative feedback for each incorrect response must explain specifically why each response is wrong and reinforcement feedback must be provided for correct responses. If rank order or matching questions are used, then it is permissible to provide single feedback to explain the correct response. Feedback may also take the form of identifying correct and incorrect answers.

Does not utilize a test bank, whether or not feedback can be given depends on whether the participant passes the qualified assessment, then:

- on a failed assessment, the CPE program sponsor may not provide feedback to the test-taker.
- on assessments passed successfully, CPE program sponsors may choose to provide participants with feedback. This feedback may comply with the type of feedback described in the preceding paragraph or take the form of identifying correct and incorrect answers.

S10 – 03. Program/course expiration date. Course documentation must include an expiration date. The expiration date is no longer than one year from the date of purchase or enrollment.

S10 – 04. Based on materials developed for instructional use. Nano-learning programs must be based on materials specifically developed for instructional use and not on third party materials. Nano-learning programs requiring only the reading of general professional literature, IRS publications or reference manuals followed by an assessment will not be acceptable.

Standard No. 11. Blended learning programs must use instructional methods that clearly define learning objectives and guide the participant through a program of learning. Pre-program, post-program and/or homework assignments should enhance the learning program experience and must relate to the defined learning objectives of the program.

S11 – 01. Guide participant through a program of learning. The blended learning program includes different learning or instructional methods (for example, lectures, discussion, guided practice, reading, games, case study, simulation); different delivery methods (group live, group Internet based, nano-learning or self study); different scheduling (synchronous or asynchronous); or different levels of guidance (for example, individual, instructor or subject matter expert led, or group/social learning). To guide participants through the learning process, CPE program sponsors must provide clear instructions/information to participants that summarize the different components of the program and what must be completed or achieved during each component in order to qualify for CPE credits. The CPE program sponsor must document the process/components of the course progression and completion of components by the participants.

S11 – 02. Primary component of blended learning program is a group program. If the primary component of the blended learning program is a group program, then CPE credits for pre-program, post-program and/or homework assignments cannot constitute more than 25 percent of the total CPE credits available for the blended learning program.

S11 – 03. Primary component of blended learning program is an asynchronous learning activity. If the primary component of the blended learning program is an asynchronous learning activity, then the group program component of the blended learning program must incorporate a qualified assessment in which participants demonstrate achievement of the learning objectives of the program.

S11 – 04. Qualified assessment requirements. A qualified assessment must measure a representative number of learning objectives for the program. A representative number of the learning objectives is 75 percent or more of the learning objectives for the program.

3.03 - Standards for CPE Program Presentation

Standard No. 129. CPE program sponsors must provide descriptive materials that enable CPAs to

assess the appropriateness of learning activities. For CPE program sponsors whose courses are developed for sale and/or for external audiences (i.e., not internal training), CPE program sponsors must make the following information available in advance:

- Learning objectives.
- Instructional delivery methods.
- Recommended CPE credit and recommended field of study.
- Prerequisites.
- Program level.
- Advance preparation.
- Program description.
- Course registration requirements.
- Refund policy for courses sold for a fee/cancellation policy.
- Complaint resolution policy.
- Official NASBA sponsor statement, if an approved NASBA sponsor (explaining final authority of acceptance of CPE credits).

For CPE program sponsors whose courses are purchased or developed for internal training only, CPE program sponsors must make the following information available in advance:

- Learning objectives.
- Instructional delivery methods.
- Recommended CPE credit and recommended field of study.
- Prerequisites.
- Advance preparation.
- Program level (for optional internal courses only).
- Program description (for optional internal course only).

S129 – 01. Disclose significant features of program in advance. For potential participants to effectively plan their CPE, the program sponsor must disclose the significant features of the program in advance (e.g., through the use of brochures, website, electronic notices, invitations, direct mail, or other announcements). When CPE programs are offered in conjunction with non-educational activities, or when several CPE programs are offered concurrently, participants must receive an appropriate schedule of events indicating those components that are recommended for CPE credit. The CPE program sponsor's registration and attendance policies and procedures must be formalized, published, and made available to participants and include refund/cancellation policies as well as complaint resolution policies.

S129 – 02. Disclose advance preparation and/or prerequisites. CPE program sponsors must distribute program materials in a timely manner and encourage participants to complete any advance preparation requirements. All programs must clearly identify prerequisite education, experience, and/or advance preparation requirements, if any, in the descriptive materials. Prerequisites, if any, must be written in precise language so that potential participants can readily ascertain whether they qualify for the program.

Standard No. 130. CPE program sponsors must ensure instructors are qualified with respect to both program content and instructional methods used.

S130 – 01. Qualifications of instructors. Instructors are key ingredients in the learning process for any group or blended learning program. Therefore, it is imperative that CPE program sponsors exercise great care in selecting qualified instructors for all group or blended learning programs. Qualified instructors are those who are capable, through training, education, or experience of communicating effectively and providing an environment conducive to learning. They must be competent and current in the subject matter, skilled in the use of the appropriate instructional methods and technology, and prepared in advance.

S130 - 02. Evaluation of instructor's performance. CPE program sponsors should evaluate the instructor's performance at the conclusion of each program to determine the instructor's suitability to serve

in the future.

Standard No. 144. CPE program sponsors must employ an effective means for evaluating learning activity quality with respect to content and presentation, as well as provide a mechanism for participants to assess whether learning objectives were met.

S144 - 01. Required elements of evaluation. The objectives of evaluation are to assess participant and instructor satisfaction with specific programs and to increase subsequent program effectiveness. Evaluations, whether written or electronic, must be solicited from participants and instructors for each program session, including self-study and nano-learning programs, to determine, among other things, whether:

- Stated learning objectives were met.
- Stated prerequisite requirements were appropriate and sufficient.
- Program materials were relevant and contributed to the achievement of the learning objectives.
- Time allotted to the learning activity was appropriate.
- If applicable, individual instructors were effective. (Note: This topic does not need to be included in evaluations for self study and nano-learning programs.)

S144 - 02. Evaluation results. CPE program sponsors must periodically review evaluation results to assess program effectiveness and should inform developers and instructors of evaluation results.

Standard No. 152. CPE program sponsors must ensure instructional methods employed are appropriate for the learning activities.

S152 - 01. ~~Assess~~Evaluate instructional method in context of program presentation. CPE program sponsors must ~~assessevaluate~~ the instructional methods employed for the learning activities to determine if the delivery is appropriate and effective.

S152 – 02. Facilities and technology appropriateness. Learning activities must be presented in a manner consistent with the descriptive and technical materials provided. Integral aspects in the learning environment that should be carefully monitored include the number of participants and the facilities and technologies employed in the delivery of the learning activity.

3.04 - Standards for CPE Program Measurement

Standard No. 163. Sponsored learning activities are measured by actual program length, with one 50-minute period equal to one CPE credit. Sponsors may recommend one-fifth (0.20 credit equal to 10-minute period) and one-half (0.50 credit equal to 25-minute period) CPE credits under the following scenarios:

- Group – after the first credit has been earned.
- Self study – one-half increments (equal to 25 minutes) are permitted.
- Nano-learning – one-fifth increments (equal to 10 minutes) are permitted.

The CPA claiming CPE credits should refer to respective state board requirements regarding acceptability of one-fifth and one-half CPE credits.

Only learning content portions of programs (including pre-program, post-program and/or homework assignments when incorporated into a blended learning program) qualify toward eligible credit amounts. Time for activities outside of actual learning content including, for example, excessive welcome and introductions, housekeeping instructions, and breaks is not accepted toward credit.

S163 – 01. Learning activities with individual segments. For learning activities in which individual

segments are less than 50 minutes, the sum of the segments would be considered one total program. For example, five 30-minute presentations would equal 150 minutes and would be counted as three CPE credits. When the total minutes of a sponsored learning activity are greater than 50, but not equally divisible by 50, the CPE credits granted must be rounded down to the nearest one-half-fifth credit, if one-half-fifth credits are awarded. Thus, learning activities with segments totaling 140 minutes would be granted two and four-fifths ~~one-half~~ CPE credits.

For learning activities in which segments are classified in multiple fields of study, the CPE credits granted should first be computed based on the content time of the total program. Next, the CPE credits granted should be allocated to the fields of study based on the field of study content time. If the sum of the individual segments by field of study content time does not equal the CPE credits computed based on the content time for the total program, then the difference (positive or negative) should be allocated to the primary field of study for the program.

S163 – 02. Responsibility to monitor attendance. While it is the participant's responsibility to report the appropriate number of credits earned, CPE program sponsors must maintain a process to monitor individual attendance at group ~~learning-participation~~ programs to assign the correct number of CPE credits. A participant's self-certification of attendance alone is not sufficient.

S163 – 03. Monitoring mechanism for group ~~internet-Internet~~ based programs. In addition to meeting all other applicable group program standards and requirements, group ~~internet-Internet~~ based programs must employ some type of real time monitoring mechanism to verify that participants are participating during the duration of the course. The monitoring mechanism must be of sufficient frequency and lack predictability to provide assurance that participants have been engaged throughout the program. If ~~polling questions are used as a~~ The monitoring mechanism, must employ at least three ~~polling questions must be used instances of interactivity completed by the participant~~ per CPE credit-hour. CPE program sponsors should verify with respective state boards on specific polling-interactivity requirements.

S163 – 04. Small group viewing of group ~~internet-Internet~~ based programs. In situations where small groups view a group ~~internet-Internet~~ based program such that one person logs into the program and asks questions on behalf of the group, documentation of attendance is required in order to award CPE credits to the group of participants. Participation in the group must be documented and verified by the small group facilitator or administrator in order to authenticate attendance for program duration.

S163 – 05. University or college credit course. For university or college credit courses that meet these CPE Standards, each unit of college credit shall equal the following CPE credits:

- Semester System 15 credits
- Quarter System 10 credits

S163 – 06. University or college non-credit course. For university or college non-credit courses that meet these CPE standards, CPE credit shall be awarded only for the actual classroom time spent in the non-credit course.

S163 – 07. Participant preparation time. Credit is not granted to participants for preparation time, unless the program meets the criteria for blended learning in Standard No. 11.

S163 – 08. Committee or staff meetings qualification for CPE credits. Only the portions of committee or staff meetings that are designed as programs of learning and comply with these Sstandards qualify for CPE credit.

Standard No. 174. CPE credit for self study learning activities must be based on one of the following educationally sound and defensible methods:-

Method 1: Pilot test of the representative completion time.

Method 2: Computation using the prescribed word count formula.

If a pre-program assessment is used, the pre-program assessment is not included in the CPE credit computation.

S174 – 01. Method 1 - Sample group of pilot testers. A sample of intended professional participants must be selected to test program materials in an environment and manner similar to that in which the program is to be presented. The sample group must consist of at least three qualified individuals who are independent of the program development group.

- For those courses whose target audience includes CPAs, the sample group must be licensed CPAs in good standing, holding an active license or its equivalent currently subject to state CPE requirements as defined by state board requirements and possess the appropriate level of knowledge before taking the program.
- For those sponsors who are subject to various regulatory requirements that mandate a minimum number of CPE credits and offer courses to non-CPAs, those courses do not have to be pilot tested by licensed CPAs.
- For those courses whose target audience includes CPAs and non-CPAs, the sample group must be representative of the target audience and contain both CPAs, as defined above, and non-CPAs.

S174 – 02. Method 1 – CPE credit based on representative completion time. The sample does not have to ensure statistical validity; however, if the results of pilot testing are inconsistent, then the sample must be expanded or any inconsistent results, if the inconsistent results are outliers, the inconsistent results must be eliminated. CPE credit must be recommended based on the representative completion time for the sample. Completion time includes the time spent taking the final examination and does not include the time spent completing the course evaluation or pre-program assessment. Pilot testers must not be informed about the length of time the program is expected to take to complete. If substantive changes are subsequently made to program materials, further pilot tests of the revised program materials must be conducted to affirm or amend, as appropriate, the representative completion time.

S174 – 03. Method 1 – Requirement for re-pilot testing. If, subsequent to course release, actual participant completion time warrants a change in CPE credit hours, re-pilot testing is required to substantiate a change in CPE credit prospectively.

S174 – 04. Method 1 – Pilot testing when course is purchased from vendor or other developer. CPE program sponsors may purchase courses from other vendors or course developers. For purchased courses where pilot tests were conducted and provided, CPE program sponsors must review results of the course developer's pilot test results to ensure that the results are appropriate. For purchased courses where no pilot tests were conducted or provided, CPE program sponsors must conduct pilot testing or perform the word count formula as prescribed in Method 2.

S174 – 05. Method 2 – Basis for prescribed word count formula. The prescribed word count formula begins with a word count of the number of words contained in the text of the required reading of the self study program and should exclude any material not critical to the achievement of the stated learning objectives for the program. Examples of information material that are not critical and therefore excluded from the word count are: course introduction; instructions to the participant/learner; author/course developer biographies; table of contents; glossary; pre-program assessment; and appendices containing supplementary reference materials.

Again, only course content text that is critical to the achievement of stated learning objectives should be included in the word count formula. If an author/course developer determines, for example, that including

the entire accounting rule or tax regulation is beneficial to the participant/learner, the accounting rule or tax regulation should be included as an appendix to the course as supplementary reference material and excluded from the word count formula. Only pertinent paragraphs or sections of the accounting rule or tax regulation required for the achievement of stated learning objectives should be included in the actual text of the course and therefore included in the word count formula.

Review questions, exercises and final-examination/qualified assessment questions are considered separately in the calculation and should not be included in the word count.

S174 – 06. Method 2 – Calculation of CPE credit using the prescribed word count formula. The word count for the text of the required reading of the program is divided by 180, the average reading speed of adults. The total number of review questions (including those above the minimum requirements), exercises and qualified assessment questions is multiplied by 1.85, which is the estimated average completion time per question. These two numbers plus actual audio/video duration time (not narration of the text), if any, are then added together and the result divided by 50 to calculate the CPE credit for the self study program. When the total minutes of a self study program are not equally divisible by 50, the CPE credits granted must be rounded down to the nearest one-half credit.

[(# of words/180) + actual audio/video duration time + (# of questions * 1.85)] /50 = CPE credit

~~**Consideration of audio and video segments in word count formula.** If audio and video segments of a self study program constitute additional learning for the participant (i.e., not narration of the text), then the actual audio/video duration time may be added to the time calculation as provided in the prescribed word count formula.~~

S174 – 07. Method 2 – Consideration of audio and video segments in word count formula. If audio and video segments of a self study program constitute additional learning for the participant (i.e., not narration of the text), then the actual audio/video duration time may be added to the time calculation as provided in the prescribed word count formula. If the entire self study program constitutes a video, then the prescribed word count formula in S17 – 06 would consist of the actual video time plus the total number of review questions (including those above the minimum requirements), exercises and qualified assessment questions multiplied by 1.85 divided by 50 (i.e., there would be no word count for text used in the formula).

[actual audio/video duration time + (# of questions * 1.85)] /50 = CPE credit

~~**Calculation of CPE credit using the prescribed word count formula.** The word count for the text of the required reading of the program is divided by 180, the average reading speed of adults. The total number of review questions, exercises and final examination questions is multiplied by 1.85, which is the estimated average completion time per question. These two numbers plus actual audio/video duration time, if any, are then added together and the result divided by 50 to calculate the CPE credit for the self study program. When the total minutes of a self study program are not equally divisible by 50, the CPE credits granted must be rounded down to the nearest one-half credit.~~

~~[(# of words/180) + actual audio/video duration time + (# of questions * 1.85)]/50 = CPE credit~~

S174 – 08. Method 2 – Word count formula when course is purchased from vendor or other developer. CPE program sponsors may purchase courses from other vendors or course developers. For purchased courses where the word count formula was calculated, CPE program sponsors must review the results of the course developer's word count formula calculation to ensure that results are appropriate. For purchased courses where the word count formula calculation was not performed or provided, CPE program sponsors must perform the word count formula calculation or conduct pilot testing as described in Method 1.

Standard No. 18. CPE credit for nano-learning programs must be based on duration of the program plus the qualified assessment, which when combined should be a minimum of 10 minutes. However, one-fifth (0.20 credit) CPE credit is the maximum credit to be awarded for a single nano-learning program.

Standard No. 19. CPE credit for blended learning programs must equal the sum of the CPE credit determinations for the various completed components of the program. CPE credits could be determined by actual duration time (for example, audio/video duration time or learning content delivery time in a group program) or by a pilot test of the representative completion time as prescribed in S17-01 or word count formula as prescribed in S17-06 (for example, reading, games, case studies, simulations).

Standard No. **2045**. Instructors, ~~or~~ discussion leaders or technical reviewers of learning activities may receive CPE credit for their preparation/review and presentation time to the extent the activities maintain or improve their professional competence and meet the requirements of these ~~CPE~~ Sstandards.

S2045 – 01. Instructor CPE credit parameters. Instructors, discussion leaders, or speakers who present a learning activity for the first time may receive CPE credit for actual preparation time up to two times the number of CPE credits to which participants would be entitled, in addition to the time for presentation, subject to regulations and maximums established by the state boards. For example, for learning activities in which participants could receive 8 CPE credits, instructors may receive up to 24 CPE credits (16 for preparation plus 8 for presentation). For repeat presentations, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed and such change required significant additional study or research.

S2045 – 02. ~~Authoring and p~~Presenting a program. The CPA claiming CPE credits should refer to respective state board requirements.

S20 – 03. Technical reviewer CPE credit parameters. Technical reviewers who review a learning activity for the first time may receive CPE credit for actual review time up to the actual number of CPE credits for the program, subject to regulations and maximums established by state boards. For repeat technical reviews, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed and such change required significant additional study or research.

Standard No. **2146**. Writers of published articles, books, or CPE programs may receive CPE credit for their research and writing time to the extent it maintains or improves their professional competence.

S2146 – 01. Requirement for review from independent party. Writing articles, books, or CPE programs for publication is a structured activity that involves a process of learning. For the writer to receive CPE credit, the article, book, or CPE program must be formally reviewed by an independent party. CPE credits should be claimed only upon publication.

S2146 – 02. Authoring ~~and presenting~~ a program. As a general rule, receiving CPE credits for authoring and presenting the same program should not be allowed. The CPA claiming CPE credits should refer to respective state board requirements.

Standard No. **2247**. CPE credits recommended by a CPE program sponsor of independent study must not exceed the time the participant devoted to complete the learning activities specified in the learning contract.

S2247 – 01. CPE credits agreed to in advance. The maximum credits to be recommended by an independent study CPE program sponsor must be agreed upon in advance and must be equated to the effort expended to improve professional competence. The credits cannot exceed the time devoted to the learning activities and may be less than the actual time involved.

3.05 - Standards for CPE Program Reporting

Standard No. **2348**. CPE program sponsors must provide program participants at or after the

conclusion of the program with documentation (electronic or paper) of their participation (certificate of completion), which includes the following:

- CPE program sponsor name and contact information.
- Participant's name.
- Course title.
- Course field of study.
- Date offered or completed.
- If applicable, location.
- Type of instructional/delivery method used.
- Amount of CPE credit recommended.
- Verification by CPE program sponsor representative.
- Sponsor identification number or registration number, if required by the state boards.
- NASBA time statement stating that CPE credits have been granted on a 50-minute hour.
- Any other statements required by state boards.

S2318 – 01. Entity to award CPE credits and acceptable documentation. The CPE program sponsor is the individual or organization responsible for issuing the certificate of completion and maintaining the documentation required by these Standards. The entity whose name appears on the certificate of completion is responsible for validating the CPE credits claimed by a participant. CPE program sponsors must provide participants with documentation (electronic or paper) to support their claims of CPE credit. Acceptable evidence of completion includes:

- For group, blended learning and independent study programs, a certificate or other verification supplied by the CPE program sponsor.
- For self-study and nano-learning programs, a certificate supplied by the CPE program sponsor after satisfactory completion of an examination or a qualified assessment.
- For instruction credit, appropriate supporting documentation that complies with the requirements of the respective state boards subject to the guidelines in Standard 2045 in Standards for CPE Program Measurement.
- For a university or college course that is successfully completed for credit, a record or transcript of the grade the participant received.
- For university or college non-credit courses, a certificate of attendance issued by a representative of the university or college.
- For published articles, books, or CPE programs, (1) a copy of the publication (or in the case of a CPE program, course development documentation) that names the writer-CPA as author or contributor, (2) a statement from the writer supporting the number of CPE hours claimed, and (3) the name and contact information of the independent reviewer(s) or publisher.

S23-02. Certificate issuance for simultaneous delivery of a group live and group internet based program. In circumstances where the CPE program sponsor is providing simultaneous delivery of a group live and group Internet based program, the CPE program sponsor, at its discretion, may issue the certificate of completion to all program participants by awarding CPE credits under the instructional delivery method attended by the majority of the participants. The delivery and attendance monitoring requirements of the respective instructional delivery methods still apply.

Standard No. 2419. CPE program sponsors must retain adequate documentation (electronic or paper) for a minimum of five years to support their compliance with these standards and the reports that may be required of participants.

S2419 – 01. Required documentation elements. Evidence of compliance with responsibilities set forth under these standards which is to be retained by CPE program sponsors includes, but is not limited to:

- Records of participation.
- Dates and locations.
- Author/instructor, author/developer and reviewer, as applicable, names and credentials. For the CPA and tax attorney acting as an author/instructor, author/developer and reviewer for accounting, auditing

or tax program(s), the state of licensure, license number and status of license should be maintained. For the enrolled agent acting in such capacity for tax program(s), information regarding the enrolled agent number should be maintained.

- Number of CPE credits earned by participants.
- Results of program evaluations.
- Program descriptive materials (course announcement information).-

Information to be retained by ~~developers~~ CPE program sponsors includes copies of program materials, evidence that the program materials were developed and reviewed by qualified parties, and a record of how CPE credits were determined.

S2419 – 02. Maintenance of documentation as basis for CPE credit for self study programs. For CPE program sponsors using Method 1 (pilot tests) as the basis for CPE credit for self study programs, appropriate pilot test records must be retained regarding the following:

- When the pilot test was conducted.
- The intended participant population.
- How the sample of pilot testers was selected.
- Names and credentials and relevant experience of sample pilot test participants.
- A summary of pilot test participants' actual completion time.
- Statement from each pilot tester to confirm that the pilot tester is independent from the course development group and that the pilot tester was not informed in advance of the expected completion time.

For CPE program sponsors using Method 2 (word count formula) as the basis for CPE credit for self study programs, the word count formula calculation as well as the supporting documentation for the data used in the word count formula (e.g., word count; number of review questions, exercises and final examination questions; duration of audio and/or video segments, if applicable; and actual calculation) must be retained.

Effective dates:

Unless otherwise established by state licensing bodies and/or other professional organizations, these Standards are to be effective upon Board approval except as follows:

1. For group live programs and independent study — July 1, 2012, instances of engagement per S7-01 must be incorporated during the next CPE program review/revision date.
2. ~~For self study programs in development as of December 31, 2011 and/or being published for the first time — July 1, 2012.~~
3. ~~For self study programs already in existence as of December 31, 2011 — March 1, 2014.~~

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**Attachment 2**

**CBA Regulations section 88.2
 Program Measurement**

(a) Live Presentation In order to qualify as acceptable continuing education under Section 88(b) a live presentation program must:

(1) Be measured in 50minute class hours. A program must be at least one 50 minute class hour in length to be acceptable continuing education. For a program composed of several segments in which individual segments are less than 50 minutes, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full 50minute class hour. For a program that is longer than one 50minute class hour, credit shall be granted for additional 25minute segments (one half of a 50 minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.

(2) Any program designed pursuant to Section 87(b) must be a minimum of one 50-minute class hour. Should a course be comprised of multiple subject areas as described in Section 87(a)(2), those components specific to Section 87(b) must be a minimum of one 50minute class hour.

(3) Meet the provider requirements for live presentation under Section 88.1(a).

(b) Group Internet Based Program (Webcast)

In order to qualify as acceptable continuing education under Section 88(c), a Group Internet Based Program (Webcast) must:

(1) Be measured by actual program length in 50minute class hours. A program must be a minimum of one 50 minute class hour in length to be acceptable continuing education. For a program composed of several segments, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full 50minute class hour. For a program that is longer than one 50minute class hour, credit shall be granted for additional 25 minute segments (one half of a 50minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.

(2) Any program designed pursuant to Section 87(b) must be a minimum of one 50-minute class hour. Should a program be comprised of multiple subject areas as described in Section 87(a)(2), those components specific to Section 87(b) must be a minimum of one 50minute class hour.

(3) Meet the provider requirements for Group Internet Based Program (Webcast) under Section 88.1(b).

(c) Self-Study

In order to qualify as acceptable continuing education under Section 88(d), a self-study course, whether in electronic or paper text format, must:

- (1) Grant continuing education credit calculated using one of the following methods:
 - (A) Demonstrating an average completion time, measured in 50-minute continuing education hours, by pretesting the documentation from a minimum of three current and active certified public accountants simulating the manner in which the course will be completed and showing the length of time spent by each participant to complete the course. Pretesting participants are required to be independent of the group that developed and/or are offering the course and provide feedback on the level of difficulty of the course. The continuing education credit shall be rounded down to the nearest one-half hour credit when the total minutes of the program are not equally divisible by 50.
 - (B) Demonstrating an average completion time, measured in 50-minute continuing education hours, by dividing the number of words contained in the text of the required reading (excluding any material not critical to the achievement of the stated learning objectives such as the course introduction, author biography, instructions, table of contents, and supplementary reference materials) by 180, adding the actual length of time in minutes of any audio or video segments, adding the number of review questions, exercises, and final examination questions multiplied by 1.85, and dividing the total by 50. The continuing education credit shall be rounded down to the nearest one-half hour credit when the total minutes of the program are not equally divisible by 50.
- (2) Clearly define lesson objectives and manage the participant through the learning process by requiring frequent participant response to questions that test for understanding of the material presented, providing evaluated feedback to incorrectly answered questions and reinforcement feedback to correctly answered questions. For purposes of this section, evaluated feedback means a response specific to each incorrect answer to the study questions that explains why the particular answer is wrong, as each one is likely to be wrong for a different reason. For purposes of this section, reinforcement feedback means a response to the correct answer of the study questions that restates and explains why the answer selected was correct.
- (3) Any program designed pursuant to Section 87(b) must be a minimum of one class hour. Should a program be comprised of multiple subject areas as described in Section 87(a)(2), those components specific to Section 87(b) must be a minimum of one 50-minute class hour.
- (4) Require a passing score on a test given at the conclusion of the course. The test shall not include true/false type questions.
- (5) Meet the provider requirements for self-study under Section 88.1(c).

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**Attachment 3****CBA Regulations section 88.1
Provider Requirements**

(a) Live Presentation In order to qualify as acceptable continuing education under Section 88(b) the provider of a live presentation program must:

(1) Require attendance and retain for a period of five years a record of attendance that accurately assigns the appropriate number of contact hours for participants including those who arrive late or leave early.

(2) Retain for a period of five years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

(3) Issue a certificate of completion, with verification certified by a program provider representative such as a signature or seal, to each licensee upon satisfactory completion of the course and retain records of licensees receiving certificates of completion for a period of five years. The amount of credit reflected on the certificate of completion shall be calculated in accordance with Section 88.2(a). The certificate of completion must delineate the subject areas, as described in Section 87(a)(2) and (3), for which the licensee may claim credit.

(b) Group InternetBased Programs (Webcast) In order to qualify as acceptable continuing education under Section 88(c), the provider of a Group InternetBased Program (Webcast) must:

(1) Require and monitor attendance throughout the program by using attendance monitoring devices such as polling, questions, or surveys. The program shall include a minimum of three monitoring events each hour, at least one of which occurs at an irregular interval.

(2) Have a live instructor while the program is being presented and a feature allowing participants to send questions/comments directly to the instructor and receive answers during the program.

(3) If it is recorded or archived, have a live subject matter expert facilitate the program (Webcast) to answer questions. A recorded or archived program that does not have a live subject matter expert must meet the self-study requirements of subsection (c), Section 88, and Section 88.2(c).

(4) Retain for a period of five years a record of attendance that accurately assigns the appropriate number of participation hours for participants.

(5) Retain for a period of five years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional

objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

(6) Issue a certificate of completion, with verification certified by a program provider representative such as a signature or seal, to each licensee upon satisfactory completion of the course. Satisfactory completion shall at a minimum require responding to at least 75 percent of the monitoring events described in subsection (b)(1) during the period for which continuing education credit is being granted. Retain records of licensees receiving certificates of completion for a period of five years. The amount of credit shall be displayed on the certificate of completion and shall be calculated in accordance with Section 88.2(b). The certificate of completion must delineate the subject areas, as described in Section 87(a)(2) and (3), for which the licensee may claim credit.

(7) Have a written policy to address rescheduling and the granting of partial credit in the event of a technology failure, and make that policy available to the Board upon request.

(c) SelfStudy In order to qualify as acceptable continuing education under Section 88(d) the provider of a selfstudy course must:

(1) Retain for a period of five years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

(2) Issue a certificate of completion, with verification certified by a program provider representative such as a signature or seal, to each licensee upon satisfactory completion of the course and retain records of licensees receiving certificates of completion for a period of five years. The amount of credit shall be displayed on the certificate of completion and shall be calculated in accordance with Section 88.2(c). The certificate of completion must delineate the subject areas, as described in Section 87(a)(2) and (3), for which the licensee may claim credit.

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**Attachment 4****CBA Regulations section 88
Programs Which Qualify**

(a) (1) The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of a licensee in public practice. It is the obligation of each licensee to select a course of study, consistent with the requirements of this section and Sections 88.1 and 88.2, which will contribute directly to his/her professional competence.

(2) A formal program of learning is an instructional activity that meets the requirements of this section and Sections 88.1 and 88.2 or a course for which academic credit is granted by a university, college, or other institution of learning accredited by a regional or national accrediting agency.

(b) The following types of live presentation programs are deemed to qualify as acceptable continuing education provided the standards outlined in Section 88(a), Section 88.1, and Section 88.2 are maintained.

(1) Professional development programs of national and state accounting organizations.

(2) Technical session at meetings of national and state accounting organizations and their chapters which are designed as formal educational programs.

(3) University or college courses:

(i) Credit courses -each semester hour credit shall equal 15 hours toward the requirement. Each quarter hour credit shall equal 10 hours.

(ii) Non credit courses -each classroom hour will equal one qualifying hour.

(4) Other formal educational programs provided the program meets the required standards.

(c) Group Internet-Based Programs (Webcast): Programs that enable a licensee to participate from a computer in an interactive course presented by a live instructor at a distant location are qualifying, provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88(a), Section 88.1 and Section 88.2. Group viewing of a webcast program is permissible only where a live facilitator logs into the program to ask questions on behalf of the group. The live facilitator shall document and verify group participation and attendance in accordance with the requirements of Section 88.1 and 88.2.

(d) Formal correspondence or other individual study programs are qualifying provided:

(1) the program is based upon materials specifically developed for instructional use,

(2) the program meets the requirements of Section 88(a), Section 88.1, and Section 88.2,

(3) the program is completed within one year from the date of purchase or enrollment, and

(4) the licensee receives a passing score.

(e) Self-study modules for national examinations that contribute to the professional competency of a licensee in public practice, such as the CERTIFIED FINANCIAL PLANNER™ Certification Examination or the Certified Management Accountant examination qualify as acceptable continuing education if the modules meet the requirements of subsection (d).

(f) Credit as an instructor, discussion leader, or speaker shall be allowed for any meeting or program provided that the session is one which meets the continuing education requirements set forth in subsection (a)(1), Section 88.1, and Section 88.2. The credit allowed an instructor, discussion leader, or a speaker shall be on the basis of actual presentation hours, plus up to two additional hours for actual preparation time for each hour taught. The maximum credit for such preparation and teaching shall not exceed 50 percent of the renewal period requirement. For repeat presentations, an instructor shall receive no credit unless the instructor can demonstrate that the program content was substantially changed and that such change required significant additional study or research. Credit for licensees attending, not as instructors, discussion leader, or speakers, is limited to the actual meeting time.

(g) Credit may be allowed by the Board on an hour-for-hour basis for the following activities:

(1) Writing published articles and books provided the publisher is not under the control of the licensee, and the article and/or book would contribute to his/her professional competence.

(2) Writing instructional materials for any continuing education program which meets the requirements of subsection (a)(1), Section 88.1, and Section 88.2,

(3) Writing questions for the Uniform Certified Public Accountant Examination,

(4) Performing a technical review of instructional materials for any continuing education program which meets the requirements of subsection (a)(1), Section 88.1, and Section 88.2. For the purposes of this section a technical review shall mean reviewing for technical accuracy, currency of the information, and attainment of stated learning objectives.

(h) The maximum credit allowed under subsection (g) shall not exceed 25 percent of the renewal period requirement.

(i) In order for any continuing education hours to be acceptable to the Board under this article, the hours shall be completed in a program which qualifies under this section or Section 87.9.

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**Attachment 5****CBA Regulations section 87
Basic Requirements**

(a) 80 Hours. As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of continuing education in the twoyear period immediately preceding license expiration, and meet the reporting requirements described in Section 89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status, shall complete a minimum of 20 hours in each year of the two year license renewal period, with a minimum of 12 hours of the required 20 hours in technical subject areas as described in subsection (a)(2).

(2) Licensees shall complete a minimum of 50 percent of the required continuing education hours in the following technical subject areas: accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in subsection (b), regulatory review as defined in Section 87.8, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

(3) Licensees may claim no more than 50 percent of the required number of continuing education hours in the following nontechnical subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

(4) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

(b) Ethics Continuing Education Requirement A licensee renewing a license in an active status shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in an ethics course. The course subject matter shall consist of one or more of the following areas: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; casebased instruction focusing on reallife situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Programs in the following subject areas are not acceptable toward meeting this requirement: sexual harassment, workplace harassment, or workplace violence. Courses must be a minimum of one hour as described in Section 88.2.

(c) Government Auditing Continuing Education Requirement. A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 hours of the 80 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, governmentowned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) Accounting and Auditing Continuing Education Requirement. A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. If no report is issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.

(e) A licensee who must complete continuing education pursuant to subsections (c) and/or (d) of this section shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c) or (d).

(f) Failure to Comply. A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.



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CBA Item III.A
July 22-23, 2015

Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Presented by: Katrina Salazar, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Gary Caine, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA Enforcement Program.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 2**.

I also confer with the CBA Executive Officer to verify that the potential appointee has met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

For current members who are being reappointed, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at anytime, by action of the CBA.

Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Page 2 of 2

Prior to making a decision to recommend Mr. Caine for reappointment to the EAC, I performed all the steps previously mentioned. I believe Mr. Caine has exhibited a high level of professionalism during the performance of his duties and has demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, and in consultation with Jeffrey De Lyser, Chairperson of the EAC, I recommend that Gary Caine be reappointed for two years to the EAC, effective August 1, 2015.

Attachments

1. Curriculum Vitae of Gary Caine, CPA
2. California Board of Accountancy Enforcement Advisory Committee Skill Matrix



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CBA Item III.A.
July 22-23, 2015

Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Presented by: Katrina Salazar, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Jeffrey De Lyser, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA Enforcement Program.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 2**.

I also confer with the CBA Executive Officer to verify that the potential appointee has met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

For current members who are being reappointed, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at anytime, by action of the CBA.

Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Page 2 of 2

Prior to making a decision to recommend Mr. De Lyser for reappointment to the EAC, I performed all the steps previously mentioned. I believe Mr. De Lyser has exhibited a high level of professionalism during his term as a member and as Chair of the EAC. Additionally, Mr. De Lyser has demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, I recommend that Jeffrey De Lyser be reappointed for two years to the EAC, effective August 1, 2015.

Attachments

1. Curriculum Vitae of Jeffrey De Lyser, CPA
2. California Board of Accountancy Enforcement Advisory Committee Skill Matrix



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CBA Item III.A.
July 22-23, 2015

Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Presented by: Katrina Salazar, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Mervyn McCulloch, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA Enforcement Program.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 2**.

I also confer with the CBA Executive Officer to verify that the potential appointee has met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

For current members who are being reappointed, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at anytime, by action of the CBA.

Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Page 2 of 2

Prior to making a decision to recommend Mr. McCulloch for reappointment to the EAC, I performed all the steps previously mentioned. I believe Mr. McCulloch has exhibited a high level of professionalism during the performance of his duties and has demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, and in consultation with Jeffrey De Lyser, Chairperson of the EAC, I recommend that Mervyn McCulloch be reappointed for two years to the EAC, effective August 1, 2015.

Attachments

1. Curriculum Vitae of Mervyn McCulloch, CPA
2. California Board of Accountancy Enforcement Advisory Committee Skill Matrix



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CBA Item III.A.
July 22-23, 2015

Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Presented by: Katrina Salazar, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Michael Schwarz, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA Enforcement Program.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 2**.

I also confer with the CBA Executive Officer to verify that the potential appointee has met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

For current members who are being reappointed, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at anytime, by action of the CBA.

Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Page 2 of 2

Prior to making a decision to recommend Mr. Schwarz for reappointment to the EAC, I performed all the steps previously mentioned. I believe Mr. Schwarz has exhibited a high level of professionalism during the performance of his duties and has demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, and in consultation with Jeffrey De Lyser, Chairperson of the EAC, I recommend that Michael Schwarz be reappointed for two years to the EAC, effective August 1, 2015.

Attachments

1. Curriculum Vitae of Michael Schwarz, CPA
2. California Board of Accountancy Enforcement Advisory Committee Skill Matrix



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CBA Item III.B.
July 22-23, 2015

Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee

Presented by: Katrina Salazar, CPA, Vice President

Purpose of the Item

The purpose of this agenda item is to recommend that Christine Gagnon, CPA, (**Attachment 1**) be appointed as a member to the California Board of Accountancy (CBA) Qualifications Committee (QC).

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The QC assists the CBA in its licensure activities by reviewing the experience of applicants for licensure and making recommendations to the CBA. This responsibility includes conducting work paper reviews, with the applicant or the employer present, to verify that the responses provided are reflective of the requisite experience for licensure.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 2**.

I also confer with the CBA Executive Officer to verify that the potential appointees have met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

Prior to making a decision to recommend Ms. Gagnon for appointment to the QC, I performed all the steps previously mentioned. I believe Ms. Gagnon has demonstrated the skills and knowledge to serve on the QC, which will allow the QC to assist the CBA with its Licensing Program.

Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee

Page 2 of 2

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, and in consultation with Robert Ruehl, Chairperson of the QC, I recommend that Christine Gagnon be appointed for two years to the QC, effective July 24, 2015 until July 31, 2017.

Attachments

1. Curriculum Vitae of Christine Gagnon, CPA
2. Skill Matrix



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CBA Item III.C.
July 22-23, 2015

Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee

Presented by: Katrina Salazar, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Katherine Allanson, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC).

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The PROC assists the CBA in an advisory capacity in its oversight of the Peer Review Program. The committee ensures that Board-recognized peer review program providers administer peer reviews in accordance with standards, evaluates applications to become a Board-Recognized Peer Review Program Provider, collects and analyzes statistical monitoring and reporting data from each Peer Review Provider on an annual basis, and prepares an Annual Report to the CBA regarding the results of its oversight.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities.

I also confer with the CBA Executive Officer to verify that the potential appointee has met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

For current members who are being reappointed, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at anytime, by action of the CBA.

Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee

Page 2 of 2

Prior to making a decision to recommend Ms. Allanson for reappointment to the PROC, I performed all the steps previously mentioned. I believe Ms. Allanson has exhibited a high level of professionalism during the performance of her duties and has demonstrated the skills and knowledge to serve on the PROC, which will allow the PROC to assist the CBA with its Peer Review Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, and in consultation with Robert Lee, Chairperson of the PROC, I recommend that Katherine Allanson be reappointed for two years to the PROC, effective August 1, 2015.

Attachment

Curriculum Vitae of Katherine Allanson, CPA



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CBA Item III.C.
July 22-23, 2015

Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee

Presented by: Katrina Salazar, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Nancy Corrigan, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC).

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The PROC assists the CBA in an advisory capacity in its oversight of the Peer Review Program. The committee ensures that Board-recognized peer review program providers administer peer reviews in accordance with standards, evaluates applications to become a Board-Recognized Peer Review Program Provider, collects and analyzes statistical monitoring and reporting data from each Peer Review Provider on an annual basis, and prepares an Annual Report to the CBA regarding the results of its oversight.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities.

I also confer with the CBA Executive Officer to verify that the potential appointee has met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

For current members who are being reappointed, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at anytime, by action of the CBA.

Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee

Page 2 of 2

Prior to making a decision to recommend Ms. Corrigan for reappointment to the PROC, I performed all the steps previously mentioned. I believe Ms. Corrigan has exhibited a high level of professionalism during the performance of her duties and has demonstrated the skills and knowledge to serve on the PROC, which will allow the PROC to assist the CBA with its Peer Review Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, and in consultation with Robert Lee, Chairperson of the PROC, I recommend that Nancy Corrigan be reappointed for two years to the PROC, effective August 1, 2015.

Attachment

Curriculum Vitae of Nancy Corrigan, CPA



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CBA Item III.C.
July 22-23, 2015

Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee

Presented by: Katrina Salazar, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Sherry McCoy, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC).

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The PROC assists the CBA in an advisory capacity in its oversight of the Peer Review Program. The committee ensures that Board-recognized peer review program providers administer peer reviews in accordance with standards, evaluates applications to become a Board-Recognized Peer Review Program Provider, collects and analyzes statistical monitoring and reporting data from each Peer Review Provider on an annual basis, and prepares an Annual Report to the CBA regarding the results of its oversight.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities.

I also confer with the CBA Executive Officer to verify that the potential appointee has met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

For current members who are being reappointed, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at anytime, by action of the CBA.

Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee

Page 2 of 2

Prior to making a decision to recommend Ms. McCoy for reappointment to the PROC, I performed all the steps previously mentioned. I believe Ms. McCoy has exhibited a high level of professionalism during the performance of her duties and has demonstrated the skills and knowledge to serve on the PROC, which will allow the PROC to assist the CBA with its Peer Review Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, and in consultation with Robert Lee, Chairperson of the PROC, I recommend that Sherry McCoy be reappointed for two years to the PROC, effective August 1, 2015.

Attachment

Curriculum Vitae of Sherry McCoy, CPA



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CBA Item IV.A.
July 22-23, 2015

Discussion of Governor's Budget

Presented by: Alicia Berhow, Secretary/Treasurer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an overview of the Fiscal Year (FY) 2015-16 Governor's Budget.

Action(s) Needed

No specific action is required on this agenda item.

Background

CBA's discussion of the Governor's Budget is prepared annually for presentation at the July CBA meeting and is included in the CBA meeting materials.

Comments

The FY 2015-16 Governor's Budget was recently released and the total proposed budget for the CBA is \$14,161,000.

The FY 2015-16 Governor's Budget shows an increase in statewide pro-rata¹ expenditures and departmental distributed pro-rata expenditures. The increase in departmental distributed pro-rata expenditures is due to employee retirement and compensation adjustments as well as changes in the rollout of BreZE.

The CBA is also scheduled to receive a \$6M General Fund loan repayment, as presented in the December 2014 Department of Finance (DOF) Loan Obligation Report. Another \$270K is anticipated to be repaid in FY 2016-17. Additional information on the General Fund Loan repayments will be provided when the DOF releases the July 2015 Loan Obligation Report.

Additional details regarding the FY 2015-16 will be discussed in the first quarter financial statement presented at the November 2015 CBA meeting.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

¹ Statewide pro-rata includes charges for support from agencies such as the Department of Finance, State Controller, and State Treasurer.

Discussion of Governor's Budget

Page 2 of 2

Recommendation

Staff does not have a recommendation on this agenda item.

Attachment

None.



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CBA Item VI.C.
July 22-23, 2015

Update on the CBA 2013-2015 Communications and Outreach Plan

Presented by: Deanne Pearce, Assistant Executive Officer

Purpose of the Item

The purpose of this agenda item is to keep the California Board of Accountancy (CBA) informed of communications and outreach efforts and activities.

Action(s) Needed

No specific action is required on this agenda item.

Background

As requested by the CBA, staff is providing regular updates regarding the communications and outreach activities which have taken place since the last CBA meeting.

Comments

Staff continues to leverage outreach opportunities to: inform and educate students and faculty about the educational requirements for licensure; the general public as to best practices that enhance consumer protection; and licensees regarding the activities of the CBA.

Outreach

Staff from the Initial Licensing Unit has developed a comprehensive outreach plan regarding the upcoming end of Pathway 1 and Pathway 2 educational requirements. Legislation passed in 2013 allows individuals who passed the Uniform CPA Examination by December 31, 2013, to continue applying for CPA licensure under these pathways for a two-year period ending December 31, 2015.

Staff will use social media, the CBA website, and direct communications with applicants to notify them regarding the need to complete any outstanding deficiencies by December 31, 2015.

CBA Website

The CBA website will soon be going through a significant update. Work is presently underway to transition the website to be consistent with the new state template and enable the display to be more usable on a mobile device. Staff anticipates the new website will be completed around the same time as the CBA's office relocation.

Update on the CBA 2013-2015 Communications and Outreach Plan

Page 2 of 2

E-News

E-News subscriptions have increased by 188 since the last report. The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest.

E-News Subscriptions	External	Internal	Total
Consumer Interest	4,475	64	4,539
Examination Applicant	2,929	49	2,978
Licensing Applicant	3,563	54	3,617
California Licensee	9,592	60	9,652
Out-Of-State Licensee	2,345	54	2,399
Statutory/Regulatory	7,753	70	7,823
CBA Meeting Information & Agenda Materials	3,659	52	3,711
Update Publication	7,360	33	7,393
Total Subscriptions	41,676	468	42,144
Total Subscribers	13,275	83	13,358

Social Media

The CBA currently has 2,951 fans on Facebook, 1,647 followers on Twitter, and 1,302 direct connections on LinkedIn. The CBA maintains five boards on Pinterest: “On Your Way to CPA,” “Tax Bracket,” “Consumer Wise,” “CBA Favorites,” and “Women Making a Difference.”

Press Releases

The CBA issued a press release, “CBA Issues Finding on National Enforcement Guidelines,” and “California Board of Accountancy Welcomes New Board Member” following the May CBA meeting.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations

Recommendation

Staff does not have a recommendation on this agenda item.

Attachment

None.



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CBA Item VIII.A.
July 22-23, 2015

Enforcement Activity Report

Presented by: Dominic Franzella, Enforcement Chief

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with:

- Year-to-date (May 31, 2015) Enforcement Program statistics for Fiscal Year (FY) 2014-15 (**Attachment**).
- Background information on the inventory and aging of cases in the Enforcement Program.
- Implemented efficiencies to improve the Enforcement Program.
- Efficiencies underway to improve the Enforcement Program.

Action(s) Needed

No specific action is required on this item.

Background

At each meeting, staff provide the CBA important statistical information pertaining to its Enforcement Program. The information is provided via the Enforcement Activity Report (EAR), and covers fiscal year (FY) 2014-15 up to May 31, 2015 and the prior two full fiscal years for historical and comparative context.

Over the past several years the CBA has experienced a significant increase in its Enforcement Program activity and workload. For this section, staff will provide the CBA with statistical information related to the CBA's case inventory and aging, important consumer protection initiatives implemented by the CBA over the past several years (which have had an impact on the case inventory and aging), and staffing trends for the Enforcement Program.

Statistical Analysis of the Case Inventory

The CBA began experiencing increases to its case inventory in FY 2008/09. In FY 2007/08, the CBA received 631 complaints. By the end of FY 2008/09 this increased to 875, an increase of nearly 40 percent. A second and more significant increase occurred in FY 2011-12 when the number of complaints rose from 854 in the prior fiscal year to 1,911 (more than doubling). The increase continued in FYs 2012-13 to 3,271 and 2013-

Enforcement Activity Report

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14 to 3,255. This represented an increase of 281 percent over the past four full years of statistical data. While FY 2014-15 will most likely reflect a decrease in the number of complaints to around 2,800-3,000, it will still be significantly higher than historically seen by the CBA.

With the overall increase in complaints realized by the CBA since FY 2008/09, a steady rise has occurred in the case inventory for the CBA. Over the past year, the CBA has seen the number of pending investigations grow. For FY 2012-13, the CBA ended the fiscal year with 518 pending investigations. This rose the following fiscal year to 825, and for the FY 2014-15, this has risen again to 1,217. This number directly correlates to the continued increase in complaints.

As would be expected, with the increase in the complaint volume, the CBA has had a steady rise in the number of referrals to and filings by the Office of the Attorney General (AG's Office). In FY 2010-11, the CBA referred 24 cases to the AG's Office. In FYs 2011-12, 2012-13, and 2013-14, these increased to 50, 62, and 74, respectively. Even absent final numbers for FY 2014-15, the CBA has already referred more cases than the prior year, 86 year-to-date. This represents a 258 percent increase in referrals to the AG's Office since FY 2010-11.

As a result of these activities, the CBA has seen the total number of matters pending discipline and disciplinary actions taken rise markedly, as well. For FY 2012-13, the CBA had 57 matters pending discipline at the end of the fiscal year. By 2013-14, this rose to 95 by fiscal year end, and for FY 2014-15 year-to-date, there are 112. As it relates to disciplinary action taken by the CBA in FY 2012-13, the CBA took action on 58 matters and in FY 2013-14, this number decreased to 31 matters. Through 11 months of FY 2014-15, the CBA already has taken action on 63 matters.

Consumer Protection Initiatives

Much of the increase being realized in the CBA Enforcement Program can be attributed to important consumer protection initiatives instituted by the CBA since 2010. These initiatives have included mandatory peer review, enhancements to the continuing education (CE) requirements, and the requirement for fingerprinting of licensees without fingerprint records on file with the Department of Justice (DOJ). Provided below is a brief overview of each of the consumer protection initiatives.

Mandatory Peer Review

Beginning in 2010, accounting firms, including sole proprietorships, that provide accounting and auditing services (compilations, reviews, and audits) are required to undergo mandatory peer review as a condition of license renewal. The CBA instituted mandatory peer review after nearly a decade of extensive examination.

The CBA determined that implementing mandatory peer review advanced its mission to protect consumers in at least two ways:

Enforcement Activity Report

Page 3 of 11

1. Requiring accounting firms to undergo peer review helps to ensure that licensees maintain a currency of knowledge in the area of accounting and auditing to competently perform in a dynamic and ever-changing accountancy profession.
2. Accounting firms that go through the rigor of peer review are better equipped to perform quality accounting and auditing services for clients.

Enhancements to the CE Requirements

Beginning in 2010 enhancements to the CE requirements took effect that required licensees renewing in an active status to:

- Complete four hours of CE in ethics education¹ as part of the biennial 80-hour requirement.
- Complete a two-hour CBA-approved Regulatory Review course² once every six years as part of the biennial 80-hour requirement.
- Complete a minimum of 20 hours of CE, with a minimum of 12 hours in technical subject areas³, yearly as part of the biennial 80-hour requirement.

The CBA advanced increased exposure to ethics education to provide licensees with the tools necessary to make objective ethical decisions during the course of public practice. Additionally, requiring licensees to receive recurring exposure to the statutes and regulations governing the practice of public accountancy provides practicing professionals important information on the rules related to California. Finally, by requiring licensees complete a minimum yearly CE requirement, with an emphasis in technical expertise, it helps to ensure that licensees maintain a currency of knowledge throughout the whole of the two-year licensure period.

Retroactive Fingerprinting

The CBA first began mandating fingerprinting and obtaining a state and federal level criminal offender record background check for licensure in 1998. Beginning January 1, 2014, licensees renewing their license in an active status were required to complete a state and federal level criminal offender record background check if: (1) the licensee had not previously submitted fingerprints as a condition of licensure, or (2) the DOJ did not have an electronic record of licensee's fingerprints in its criminal offender record identification database.

¹ Course subject matter must pertain to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations.

² Regulatory Review courses must cover the California Accountancy Act and CBA Regulations, providing licensees with information on how the statutes and regulations relate to the practice of public accountancy in California. Additionally, the course covers an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to the license being disciplined.

³ The minimum yearly CE requirement took effect in 2010, with licensees beginning to report completion of this requirement in January 2012.

Enforcement Activity Report

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The CBA instituted the retroactive fingerprint requirement as it determined that it was a crucial element of its mission to protect consumers. In conjunction with its mission and to ensure that consumers are receiving services from qualified practitioners, the CBA concluded it was of paramount importance to be informed of past and current criminal convictions that are related to the qualifications, functions, or duties of its licensees.

Enforcement Staffing Resources

Prior to 2011, the CBA relied almost exclusively on Investigative CPAs (ICPAs) to perform its investigations, for both technical (violations of statutes and regulations that occur in the practice of public accountancy) and non-technical (more administrative in nature related to CE violations, criminal convictions, practice without a permit, and unregistered accounting firms) matters. Prior to this time, the CBA employed seven ICPAs to complete the vast majority of its investigations.

Historically, the ICPA classification has been the most difficult classification to recruit and retain at the CBA. This was primarily because State salaries have not maintained parity with compensation available in the private sector and other government agencies. Additionally, the CBA required all ICPAs to work in-house out of the CBA's main office location located in Sacramento.

The CBA routinely faced high vacancy rates for this classification. As a result, the Enforcement Program operated in more of a reactive model, addressing primarily external complaints. As discussed in greater detail in the next section, the CBA senior management has been taking active steps to ensure that the Enforcement Program is appropriately staffed.

Comments

The Legislature established and charged the CBA with the express purpose of protecting consumers (Business and Profession Code (BPC) section 5000.1). The CBA works to meet this legislative mandate by ensuring only qualified licensees practice public accountancy in accordance with applicable professional standards. One of the primary components to meeting its mission is the CBA Enforcement Program. The Enforcement Program is responsible for:

1. Ensuring that licensees are in compliance with the provisions of the Accountancy Act and CBA Regulations.
2. Conducting investigations of unlicensed practice.
3. Referring matters to the AG's Office or local jurisdictions for prosecution.
4. Imposing discipline consistent with the disciplinary guidelines.
5. Imposing other enforcement actions, such as citations, fines, administrative suspensions, etc., where warranted.
6. Monitoring probationers to ensure compliance with probationary terms.

In October 2008, the CBA brought on its present Executive Officer, Patti Bowers. With this change in leadership came a change in CBA and Executive Officer direction with

Enforcement Activity Report

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respect to establishing a more active and robust Enforcement Program. This has included establishing a proactive model in the Enforcement Program, especially related to expanding investigations, increased internal referrals to ensure licensees adhere to the various statutes and regulations, and review of external sources to determine if cases need to be opened and investigated.

For this section, staff will provide the CBA with important information related to steps taken with respect to proactive enforcement, improving efficiencies of the Enforcement Program, staffing augmentations sought to manage the workload, and improvements being implemented to address the case inventory and aging.

Proactive Enforcement

Maintaining a proactive Enforcement Program is crucial to consumer protection by detecting early areas of deficiency and seeking correction, identifying significant compliance issues that require immediate attention and action (including discipline), and providing an active presence within the accounting community that signals the CBA's willingness to address licensees that fail to comply with applicable statutes and regulations. Since the addition of the present Executive Officer at the CBA, the Enforcement Program has become significantly more proactive in its activities. This includes the areas of license renewal requirements, peer review, increased monitoring of action taken by other governmental agencies, and expanding investigations.

License Renewal Requirements

In the area of license renewal requirements, as noted earlier, some of the more significant changes have occurred in the area of CE. CE is designed to maintain or increase licensees' professional competency. To ensure that licensees adhere to the CE requirements established by the CBA, staff within the Licensing Division perform a comprehensive, 100 percent review of the CE reported by licensees on a 100 percent basis. In addition, staff randomly select licensees to participate in a CE audit, approximately 75 licensees per month, to provide certificates of completion of the courses claimed.

In instances where licensees fail to complete the requisite CE, or fail to properly complete the license renewal application (including submission of the application), the Licensing Division takes steps to work with the licensee to obtain compliance. Only after these attempts (a minimum of two) are made does the matter get referred to the Enforcement Program for further action.

Over the past two fiscal years, the Enforcement Program has seen a significant increase in the number of referrals from the Licensing Division associated with license renewal applications, including CE deficiencies and CE audit deficiencies. In total, the Licensing Division has referred 570 matters to the Enforcement Program after it was unable to obtain compliance.

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The types of referrals include failing to complete the required number of hours of CE, failing to complete the appropriate subject areas, failing to meet the minimum 20 hours, with 12 in technical subject matter, per year, and failing to complete or submit the license renewal application. These matters generally result in a citation and fine.

Peer Review

The implementation of mandatory peer review has resulted in the most significant increases to the Enforcement Program. A high volume of internal complaints have been opened as a result of peer review. These range from notification of a failed peer review, failing to report peer review information, and auditing self-certified peer review information to ensure licensees are undergoing the peer review process as required.

The CBA requires notification by licensees upon receipt of a failed peer review. Additionally, the CBA requires that peer review program providers submit copies of failed peer review reports. Upon receipt of a failed peer report, the CBA opens an investigation.

Through May 31, 2015, the CBA has received 635 failed peer review reports. During the course of the investigation, an ICPA reviews the substandard peer review report to determine if there are significant departures from professional standards to warrant enforcement action by the CBA. Enforcement action may include additional CE courses, citation and fine, or referring the matter to the AG's Office for the filing of an Accusation. The CBA also confirms that the firm has completed any corrective action that was ordered by the administering entity and that the administering entity has accepted the corrective action. These investigations have led to 165 cases where there were significant departures from professional standards that warranted further investigation.

In addition to cases resulting from failed peer reviews, the CBA ensures that licensees are properly reporting peer review. As of January 1, 2014, the reporting of peer review-related information occurs at the time of license renewal. All licensees renewing their license are required to complete a peer review reporting form (more commonly referred to as PR-1). Failure to submit or properly complete the PR-1 result in the matter being referred to the Enforcement Program. Prior to referring the matter to the Enforcement Program, the Licensing Division works collaboratively with licensees to obtain compliance.

In addition, upon receipt of the PR-1, the Licensing Division performs a thorough review of the PR-1 and cross-references it against information reported on the license renewal application to identify any information that may suggest the licensee was required to undergo peer review. These PR-1 audits were a direct result of the CBA's direction to staff to ensure proper reporting of peer review. Additionally, the Licensing Division evaluates any accounting firm names listed on the PR-1 to ensure they are properly registered with the CBA.

Enforcement Activity Report

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Over the past two fiscal years, the Licensing Division has referred 742 matters to the Enforcement Program as a result of peer review reporting. These matters have resulted in referrals to the AG's Office for failing to complete a peer review and various citation and fines for failing to report peer review or unregistered accounting firms.

Monitoring of Actions by Other Governmental Agencies

Over the past several years, the CBA has constantly monitored disciplinary actions taken by other agencies. The CBA has subscribed to an email notification system for the Securities and Exchange Commission (SEC) that provides weekly updates on actions taken. The CBA routinely receives hardcopy notices of actions taken by the SEC and Public Company Accounting Oversight Board. As part of its participation in the Accountancy Licensee Database and CPAverify, the CBA receives weekly email notifications regarding action taken by other state boards of accountancy against licensees that maintain a license in California as well. The CBA also receives and reviews the NASBA Quarterly Enforcement Report.

Expanding Investigations

Another area of emphasis that has occurred with the present Executive Officer and input from the CBA is the Enforcement Program has taken proactive steps to expand investigation beyond the initial allegations. The purpose of expanding investigations is to provide necessary and adequate consumer protection by determining the quality of licensees' practice and the actual and potential risk for additional consumer harm. When expanding investigations, the Enforcement Program is able to:

- Review additional work product of the same discipline (*i.e.* tax work, compilations, audits).
- Evaluate the accountancy firm, if applicable, to determine if the alleged and identified violations are isolated to the conduct of the licensee or systemic to the firm.
- Review licensee's CE and compliance with peer review.

Failure to thoroughly investigate licensees to determine if additional areas of concern are present is a detriment to the consumer.

For FY 2014-15, the Enforcement Program has expanded investigations for 136 cases, identifying 193 additional violations. Often the expanded investigations result in the need to include the accountancy firm in the investigations. As for the types of additional violations being identified, these include additional acts of gross negligence or repeated acts of negligence, failing to properly report various reportable events, and compliance with the peer review requirement.

Implemented Efficiencies to Improve the Enforcement Program

Staff want to ensure the CBA that as new programs came on line and increased activity was anticipated, CBA senior management took several additional steps to improve program efficiencies. These included:

Enforcement Activity Report

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- Reorganized duties to use enforcement analysts to perform more investigation-related work. The expanded use of analytical staff has proven effective and allows the ICPAs to concentrate on those cases that require the expertise and knowledge of a licensed CPA.
- Provided enhanced training to all enforcement staff. Enforcement staff now attends a nationally recognized training program – Council on Licensure, Enforcement, and Regulation National Certified Investigator Training – and the DCA Enforcement Academy that focuses on internal performance targets and measures.
- Established internal benchmarks for each step of the enforcement process, beginning with issuance of the initial complaint acknowledgement letter to completion of the investigative report.
- Revised the investigation intake process to streamline the intake and triage of complaints.
- Instituted target dates for completing technical and non-technical cases.
- Changed the CBA process for referring investigations to the AG's Office, including modification of the CBA Investigative Report for easier review by the assigned DAG and faster preparation of pleading documents.
- Established a sole point of contact at the CBA for all disciplinary matters and created a stand-alone email account to streamline the communication between the assigned DAG and the CBA.
- Provided an electronic copy of investigative reports and related documents to the AG's Office as opposed to a paper copy, which allows the assigned DAG to more quickly incorporate facts and exhibits into their OAH files.

Staffing Augmentations

In addition to the above-referenced program efficiencies, CBA senior management also examined necessary staffing augmentations to manage the workload. This examination is a continuous process being undertaken by CBA senior management to ensure the appropriate number of staff, assigned to the right positions, and at the right time are in place in the Enforcement Program. These included ensuring vacancies were filled and additional positions were added as appropriate.

As mentioned earlier, the ICPA classification was one the CBA historically had difficulty filling. To improve the success rate of the CBA's recruitment and retention of this important classification, the following steps have been taken:

- The ICPA examination process was restructured and applications are accepted on a continuous basis.
- Positions were established on a State-wide basis, instead of positions only existing in Sacramento.
- ICPAs are now authorized to telecommute and work from home.

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As for seeking an increase in staffing resources, the CBA has seen two significant increases to its Enforcement Program. First in FY 2010-11, the CBA submitted requests (known as budget change proposals or BCPs) to obtain an additional 3.5 positions to further aid in the non-technical investigations and assist in the continued implementation of the mandatory peer review requirement.

The second, and more significant request, occurred in FY 2013-14. The CBA submitted two BCPs to add ICPAs to address case aging, peer review, and increased consumer protection, and new non-technical staff to implement the retroactive fingerprint requirement. All told, the Enforcement Program was provided 17 new staff, eight new ICPAs (two of which are limited term, set to expire June 30, 2016) and nine staff (including a manager, analysts, and clerical support) known as the Criminal Offender Record Information (CORI) Unit to implement the retroactive fingerprint requirement (all of which are limited term, set to expire either June 30, 2016 or June 30, 2017).

Upon receiving authority to hire these new positions, the Enforcement Program worked actively and aggressively to fill the positions. All of the CORI Unit positions were filled by the end of July 30, 2014 (within one month after the positions were established). As for the ICPA positions, the Enforcement Chief and Supervising ICPA (SICPA) interviewed candidates throughout the State to select qualified ICPAs. This occurred over several months, with the eight new candidates being hired between September and December 2014.

While obtaining additional staffing resources provides additional personnel to address workload, a steep learning curve exists with on-boarding new staff in the Enforcement Program, especially with respect to the ICPA resources. The ICPAs hired by the CBA come with significant technical expertise gained while employed in public practice and industry. This ensures they come with the requisite understanding of applicable professional standards.

To augment this knowledge with the necessary investigatory skills requires the CBA to commit considerable time to providing appropriate training. This requires several training sessions regarding the CBA's enforcement process, acclimation to computer software used for case management and tracking, training on report writing, and direct supervision to ensure proper protocols are being performed. Given the highly technical nature of the complaints reviewed and investigated by the ICPAs, this process takes up to six months to a year to create a solid foundation. While undergoing training, the new ICPAs are supplied a full caseload; however, their ability to independently perform the full range of investigatory activities is sometimes significantly reduced.

With the increase in staffing, specifically at the ICPA classification, CBA senior management recognized a need to ensure there was sufficient supervisory positions to oversee the new staff. With the increase augmentation of the ICPAs, the total number went from seven to 15. Therefore, to increase necessary supervision and minimize choke-points in the review of investigation, CBA senior management reclassified one of

Enforcement Activity Report

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the new ICPAs to a SICPA. As a result, the Enforcement Program now has two SICPAs, with each SICPA overseeing seven ICPAs.

Present Efficiencies Underway for the Enforcement Program

Since receiving and on-boarding the new positions, the Enforcement Program has taken the following steps designed to address the increased case inventory:

- Increased the use of field investigation: ICPAs will conduct field investigations on licensees that fail to respond or delay their responses to Enforcement inquiries. Currently, a licensee that is contacted via phone or mail has a greater opportunity to delay an investigation by not complying with or responding to the CBA's requests. These delays require additional time and resources (including issuance of a subpoena, or requiring an appearance at an investigative hearing) in order to gain compliance. Having the resources to routinely engage in field investigations will significantly improve efficiency and allow cases to result in a more expedient resolution.
- Isolated CORI activities: The CBA proactively created a temporary CORI Unit. Approximately 27,700 CBA licensees are required to submit their fingerprints to the DOJ over the next two years. By creating the CORI Unit at the onset, investigations that have stemmed from those licensees with a criminal conviction that were not previously disclosed to the CBA, or that failed to be fingerprinted, are handled by dedicated staff and do not impact the current Enforcement Program case inventory.
- Increased on-site activities of the ICPAs: ICPAs that work via telecommute are now required to come to the CBA Office more frequently, approximately every six to eight weeks. This provides opportunities to meet face-to-face with management, obtain additional hands-on training, discuss cases in a group setting, and discuss best practices being employed by other ICPAs.
- Increased on-site visits of the SICPAs with ICPAs working via telecommute: SICPAs now travel more frequently to engage and discuss caseload and work activities via one-on-one sessions with the ICPAs in the field. This allows for increased access for the ICPA to their respective supervisor, and for the SICPA to have increased opportunities to provide direct oversight of ICPAs' work products.
- Increased caseload meetings between management and Enforcement Chief: The Enforcement Chief maintains standing meetings with management supervising investigation to obtain an update and overview of case inventory and to provide direction and decisions on various specific cases and case types.
- Established the development of an internal case tracking and management database: The database will assist in a wide range of activities including, establishing more uniform case tracking information, allow for real-time access to investigation progress reports by Enforcement Program management, allow for notification when requested items are due from licensees as part of an investigation, and simplification of generating routine and recurring reports.

Enforcement Activity Report

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Over the past several years, the CBA has taken important and necessary steps to improve the regulation of the accounting profession in California and furthering its mission to protect consumers. As noted earlier, one of the primary areas the CBA has made these changes is in the Enforcement Program. This has included creating a more proactive Enforcement Program designed to ensure that licensees are adhering to the statutes and regulations governing the practice of public accountancy in California.

Staff are committed to continuing to keep the CBA apprised of the activities of the Enforcement Program. One of the future modifications staff have planned is updating the EAR to further enhance the information staff provide to the CBA.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff does not have a recommendation on this agenda item.

Attachment

Enforcement Activity Report

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2015

Complaints

Complaints/Records of Convictions	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Received	3,271	3,255	2,529
<i>Internal – Peer Review (Failure to Respond)¹</i>	<i>1,800</i>	<i>1,481</i>	<i>0</i>
<i>Internal – Peer Review (Other)²</i>	<i>508</i>	<i>411</i>	<i>420</i>
<i>Internal – All Other</i>	<i>510</i>	<i>969</i>	<i>1,681</i>
<i>External</i>	<i>453</i>	<i>394</i>	<i>428</i>
Assigned for Investigation	2,951	2,969	1,858
Closed – No Action	329	289	670
Average Days from Intake to Closure or Assignment for Investigation	3	4	3
Pending	3	0	0
Average Age of Pending Complaints (days)	3	0	0

¹ These complaints relate to licensees that failed to respond to multiple CBA requests to file the required peer review reporting form (PR-1) as part of the initial peer review phase-in period that occurred between July 1, 2011 and July 1, 2013.

² Peer Review (Other) internal complaints typically include investigation of failed peer review reports, failure to comply with peer review citations, filing an incorrect PR-1, or renewing a license without undergoing a peer review when a peer review is required.

- The California Board of Accountancy (CBA) received 467 additional complaints since the last reporting period including 80 complaints received from outside sources.
- The top two internal complaints continue to be conviction of a crime and peer review. The top external complaint continues to be unlicensed practice.

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2015

Investigations

Investigations	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Assigned	2,951	2,969	1,858
<i>Internal – Peer Review (Failure to Respond)</i> ¹	1,794	1,481	0
<i>Internal – Peer Review (Other)</i>	437	407	434
<i>Internal – All Other</i>	361	740	1065
<i>External</i>	359	341	359
Closed	2,872	2,669	1,542
Average Days to Close	73	74	167
Total Investigations Pending	518	825	1,217
<i>< 18 Months</i>	500	774	1,109
<i>18-24 Months</i>	17	42	76
<i>> 24 Months</i>	1	9	32
Average Age of Open Cases (days)	166	202	199
Median Age of Open Cases (days)	104	153	109

¹ These investigations relate to licensees that failed to respond to multiple CBA requests to file the required PR-1 as part of the initial peer review phase-in period that occurred between July 1, 2011 and July 1, 2013.

Chart A on Page 8 illustrates the percentage of open cases by length of time.

- The CBA closed 280 investigations since the previous report and the average age of open cases is 199 days.
- Presently, the CBA has 76 investigations that have been pending for a period of 18-24 months.
- The CBA currently has 32 investigations, including 13 carried over from the last report, that have been pending over 24 months. These cases are the most complex investigations requiring additional time to resolve. The status of the investigations are as follows:
 - Two cases have been referred to the AG’s Office for disciplinary action.
 - One case had an investigative hearing on April 30, 2015 and the investigative report is under review.
 - One case has an investigative hearing scheduled for July 9, 2015.
 - Eight cases have investigative reports ready for supervisor review.
 - Five cases have investigative reports in process.

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2015

- One case has been referred for a citation and fine and will be closed once the citation is issued.
- 14 investigations are on-going.

Discipline

Attorney General Referrals	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Referrals	62	74	86
Accusations Filed	50	34	38
Statements of Issues Filed	3	8	9
Petitions for Revocation of Probation Filed	3	2	1
Closed	58	31	63
<i>Via Stipulated Settlement</i>	39	21	55
<i>Via Proposed Decision</i>	5	4	2
<i>Via Default Decision</i>	14	6	6
Discipline Pending	57	95	112
<i>< 18 Months</i>	52	82	103
<i>18-24 Months</i>	2	10	4
<i>> 24 Months</i>	3	3	5

Chart B on Page 8 illustrates the percentage of cases pending at the AG's Office by length of time.

- There are five cases pending at the AG's Office for more than 24 months. The status of the cases, which include four carried over from the last report, are as follows:
 - A writ was filed with the California Superior Court in August 2012 following adoption of a proposed decision and denial of a Petition for Reconsideration in July 2012. A decision was issued on August 28, 2014 denying the writ of mandate. The stay previously issued was dissolved and the CBA's decision revoking the Petitioner's license became effective. The Petitioner immediately filed a Notice of Appeal with the Appellate Court seeking a stay of the decision. The motion requesting a trial was denied at a hearing on December 12, 2014. A ruling from the Court of Appeals is pending.
 - The licensee is currently in prison and has requested for hearings to be postponed until December 2015.

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2015

- Two cases were reviewed during closed session at the May 2015 CBA meeting and will be closed on July 5, 2015, the date the CBA's decision become final.
- One case has a settlement conference set for November 30, 2015.

Citations and Fines

Citations	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Total Citations Issued	1,883	1,522	288
Total Fines Assessed	\$532,400	\$399,020	\$108,875
Peer Review (Failure to Respond) ¹	1,800	1,481	0
<i>Peer Review Fines Assessed</i>	<i>\$450,000</i>	<i>\$370,250</i>	<i>\$0</i>
Other Citations	83	41	288
<i>Other Fines Assessed</i>	<i>\$82,400</i>	<i>\$28,770</i>	<i>\$108,875</i>
Other Fines Average	\$993	\$702	\$378
Average number of days from receipt of a complaint to issuance of a citation	67	33	147
Top 3 Violations Resulting in Citation			
1:	Response to CBA Inquiry (Reg 52)	Response to CBA Inquiry (Reg 52)	CE Basic Requirements (Reg 87)
2:	CE Basic Requirements (Reg 87)	CE Basic Requirements (Reg 87)	Response to CBA Inquiry (Reg 52)
3:	Practice Without Permit (BPC 5050)	Name of Firm (BPC 5060)	Name of Firm (BPC 5060)

¹ These citations relate to licensees that failed to respond to multiple CBA requests to file the required PR-1 as part of the initial peer review phase-in period that occurred between July 1, 2011 and July 1, 2013.

- As noted in previous reports, the FY 2014-15 average for number of days to issue a citation is higher than the two previous fiscal years due to the high volume and efficiency with which Peer Review (Failure to Respond) citations were issued.

The Other Fines Average amount continues to be lower than in previous years. The fine amount assessed varies from \$100 to \$5,000 and is determined on a case-by-case basis. Factors that may increase or decrease the fine amount include aggravating or mitigating circumstances, and length of time the violation existed.

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2015

- Violation of the continuing education (CE) basic requirements, CBA Regulations section 87, continues to be the most common reason for issuance of a citation this fiscal year.
- The CBA participates in the Franchise Tax Board (FTB) Offset Program to collect past due fines. The FTB Offset Program collects funds that are otherwise unobtainable from California residents who owe State agencies delinquent debts. After notice by the CBA providing an opportunity to pay the outstanding debt, the CBA can submit the debt to the FTB for collection. The FTB will offset the State income tax refunds, unclaimed property, or State lottery winnings due the individual and, in conjunction with the State Controller's Office, transfer the funds to the CBA. The total fines presently outstanding equal approximately \$322,000. Since staff began mailing the FTB collection letters in January 2015, the CBA has collected approximately \$55,000 in voluntary past due fine payments.

Probation Monitoring

Monitoring Activities	
Number of Licensees on Probation as of Last Report	90
New Probationers	7
Total Number of Probationers	95
Out-of-State Probationers	8
Probation Orientations Held since Last Report	13

- Upon completion of the disciplinary process, matters are referred to a CBA Probation Monitor for tracking and compliance with the terms of probation.
- Three probation meetings were held at the CBA Headquarters on April 10, 2015, and April 23, 2015. Ten probation meetings were held in Los Angeles in conjunction with the Enforcement Advisory Committee on April 30, 2015.

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2015

Criminal Offender Record Information (CORI)

CORI Fingerprints¹	FY 2014/15 As of May 31
Notification Letters Sent	17,959
CORI Compliances Received	10,778
Non-Compliance Notifications Sent	697

CORI Enforcement Cases	FY 2014/15 As of May 31
Received	561
Assigned for Investigation	163
Closed – No Action	398
Non-Compliance Citation and Fine Issued	44
Referred to the Attorney General's Office	9

¹ CORI-related activities that occurred in FY 2013/14 were previously reflected on the Licensing Activity Report.

- Effective January 1, 2014, all licensees renewing their license in active status are required to have fingerprints on file for the purpose of conducting a state and federal criminal offender record information background check.
- Since the last report, the CORI unit has sent out over 3,400 additional notification letters.

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2015

Mobility

Enforcement Aspects of Mobility	FY 2013/14	FY 2014/15 As of May 31
Pre-Notification Forms Received	15	2
Cessation Event Forms Received	0	0
SEC Discipline Identified	37	27
PCAOB Discipline Identified	11	21
Out-of-State Accounting Firm Registrants That Reported Other Discipline	10	14
Complaints Against Practice Privilege Holders	2	11

Effective July 1, 2013, the CBA implemented a no notice, no fee practice privilege model in California. This table depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms and Notification of Cessation Event Forms.

- The complaints against practice privilege holders include practice without permit, discipline by other states/governmental agencies, and practice complaints.
- Staff sent letters to all CPAs who were disciplined from either the Securities and Exchange Commission or the Public Company Accounting Oversight Board to inform them that they must seek CBA authorization prior to practicing in California.

Division Highlights and Future Considerations

- The third quarter Performance Measures Report prepared by the Department of Consumer Affairs (DCA) is **attached**. As noted on the report, it is designed to provide stakeholders with information regarding the CBA's progress toward meeting its enforcement goals and targets.
- The CBA is meeting the target timeframe for all DCA performance measures (PM) with the exception of PM4 – Formal Discipline. This PM calculates the average number of days to complete the entire enforcement process from the date the complaint was received until the effective date of the final discipline for decisions that took effect during that quarter. As the Enforcement Division works to address its aging case inventory and the CBA takes action on these matters, it will have a direct impact on this PM.
- The CBA is recruiting to fill two management vacancies: one for the CORI Unit and one for the Discipline and Probation Monitoring Unit.

**California Board of Accountancy
Enforcement Activity Report**
Report as of May 31, 2015

Chart A – Open Investigations as of May 31, 2015

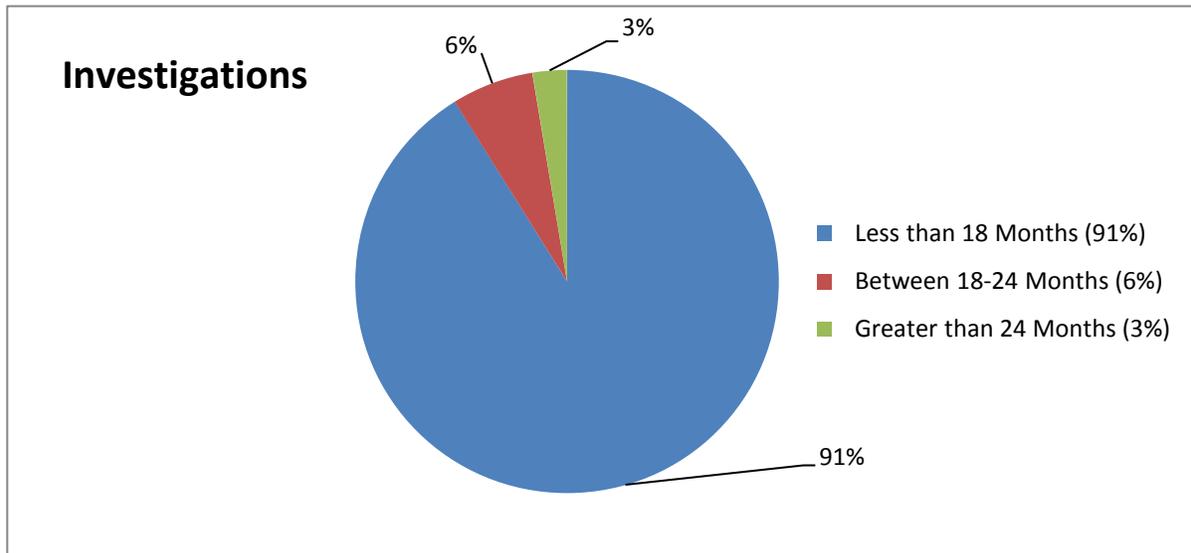
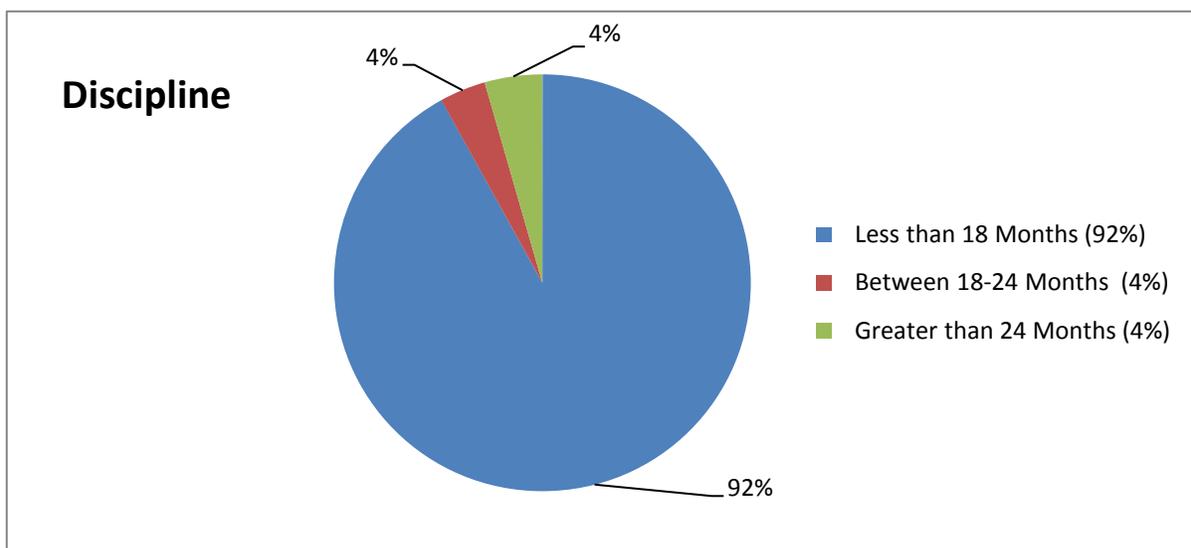


Chart B – Discipline Pending at the Attorney General Office as of May 31, 2015



Department of Consumer Affairs
 California Board of
 Accountancy

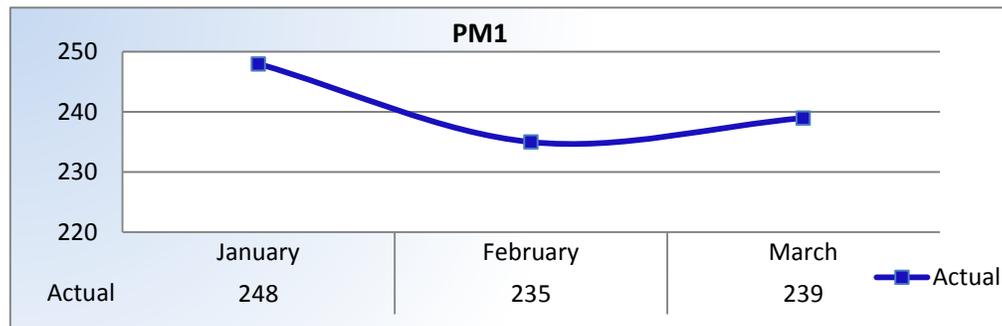
Performance Measures

Q3 Report (January - March 2015)

To ensure stakeholders can review the Board's progress toward meeting its enforcement goals and targets, we have developed a transparent system of performance measurement. These measures will be posted publicly on a quarterly basis.

PM1 | Volume

Number of complaints and convictions received.

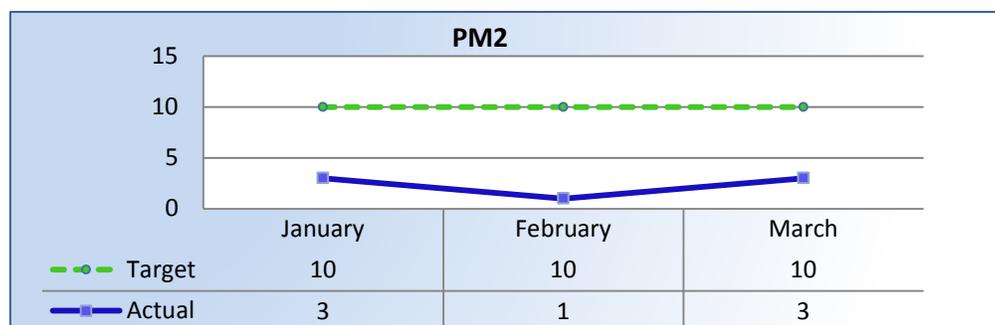


Total Received: 722 Monthly Average: 241

Complaints: 487 | Convictions: 235

PM2 | Intake

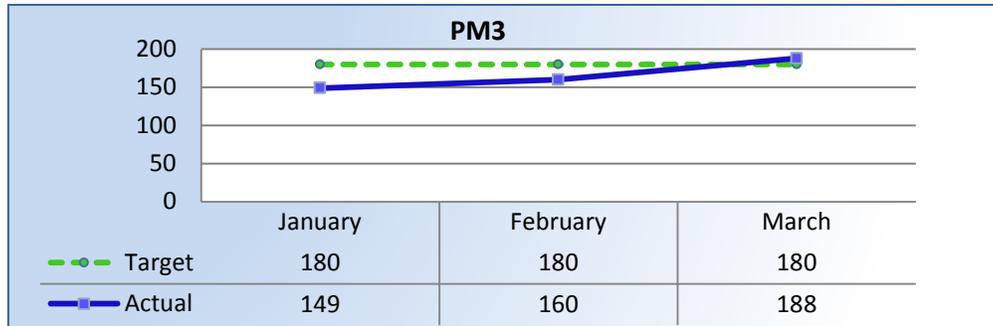
Average cycle time from complaint receipt, to the date the complaint was assigned to an investigator.



Target Average: 10 Days | Actual Average: 2 Days

PM3 | Intake & Investigation

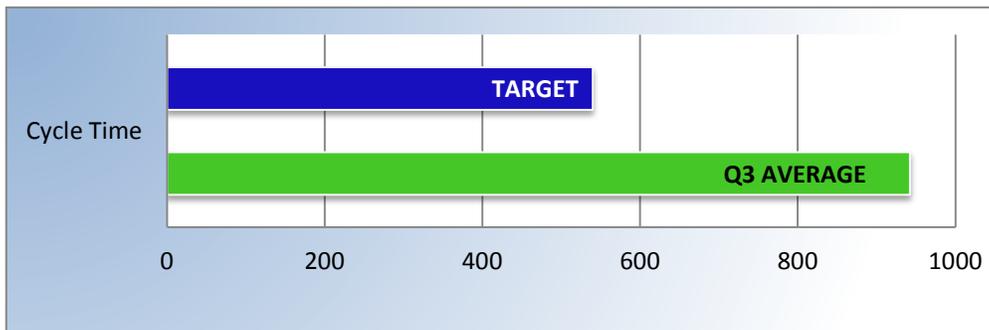
Average cycle time from complaint receipt to closure of the investigation process. Does not include cases sent to the Attorney General or other forms of formal discipline.



Target Average: 180 Days | Actual Average: 166 Days

PM4 | Formal Discipline

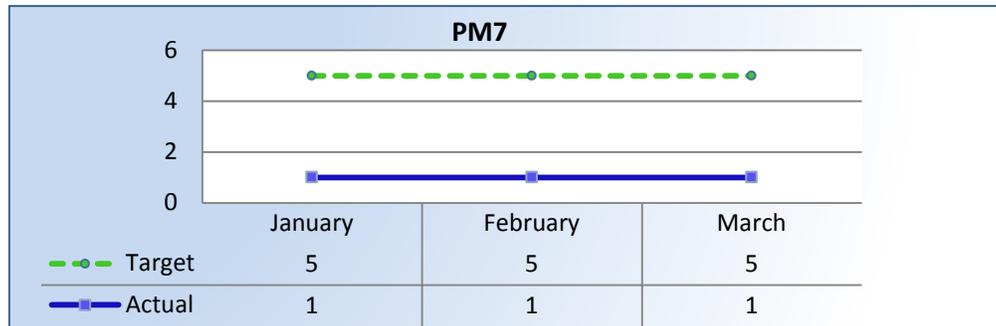
Average number of days to complete the entire enforcement process for cases resulting in formal discipline. (Includes intake and investigation by the Board and prosecution by the AG).



Target Average: 540 Days | Actual Average: 942 Days

PM7 | Probation Intake

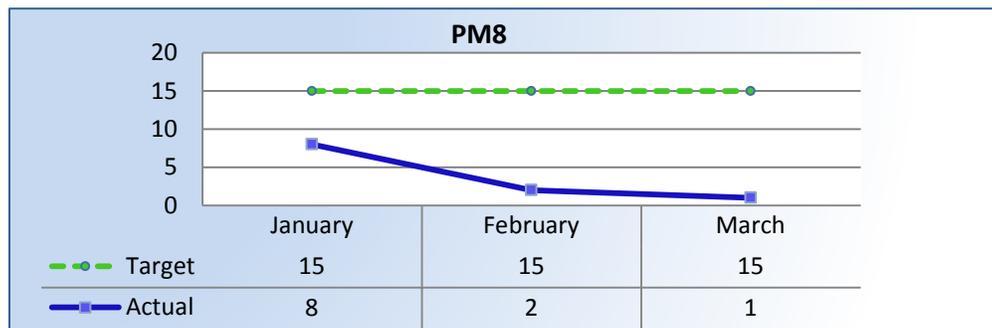
Average number of days from monitor assignment, to the date the monitor makes first contact with the probationer.



Target Average: 5 Days | Actual Average: 1 Day

PM8 | Probation Violation Response

Average number of days from the date a violation of probation is reported, to the date the assigned monitor initiates appropriate action.



Target Average: 15 Days | Actual Average: 5 Days



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CBA Item VIII.B.
July 22-23, 2015

Discussion Regarding the CBA's Probation Monitoring Program

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding the CBA's probation monitoring program.

Action(s) Needed

No specific action is required on this agenda item; however, staff value any feedback from members regarding the probation monitoring program.

Background

At the CBA Executive Leadership Roundtable held in December 2014, a request was made to have staff provide information to the CBA on the probation monitoring activities performed by staff.

The most common disciplinary orders adopted by the CBA include a provision that the disciplinary action, revocation, is stayed and the licensee is placed on probation. During the probationary period, the licensee is allowed to continue practicing, provided s/he adheres to the specific terms and conditions of probation. Upon successful completion of probation, the license is fully restored unless the disciplinary order includes a provision imposing a permanent restriction on performing specified services.

The purpose of probation is to ensure consumer protection and assist in the rehabilitation of the licensee. The CBA's guiding document, *A Manual of Disciplinary Guidelines and Model Disciplinary Orders, 8th Edition* (Guidelines), states that the period of probation is generally three years. However, the Guidelines allow for a departure from the three-year standard based on aggravating or mitigating circumstances. In general, applicants who are granted licensure through a disciplinary order receive five years probation with consideration given to the type of offense and length of time that has lapsed since its occurrence. Whereas licensees generally receive three years probation due to the established history with the CBA with the same consideration given.

Most disciplinary orders, whether generated from a stipulated settlement or the proposed decision of an Administrative Law Judge (ALJ) are effective 30 days after

Discussion Regarding the CBA's Probation Monitoring Program

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adoption by the CBA. Once the decision is effective, the probationer is assigned a probation monitor. Presently, the CBA has 94 licensees on probation, including eight that live out-of-state.

Comments

Probation monitoring is vital to a robust enforcement program. Without probation, the primary option for discipline by the CBA would be suspension or revocation of the license. The probation monitoring process begins with the disciplinary order. The order includes a list of terms and conditions that the licensee must abide by in order to complete probation and have his/her license restored. The terms and conditions of probation typically consist of two parts: standard conditions of probation, which are included in almost all cases of probation (**Attachment 1**) and optional conditions of probation, which are included when appropriate based on the type and severity of the violation (**Attachment 2**).

The standard conditions of probation are applied to nearly every probationer regardless of the cause for discipline, emphasize the licensee's responsibility, and provide the CBA with a means to take more immediate action should another violation occur. The inclusion of optional conditions of probation is determined on a case-by-case basis based on the nature and circumstances of the particular violation. The most common optional conditions of probation include maintaining an active status license, taking additional continuing education (most commonly ethics and Regulatory Review), and assessment of a monetary administrative penalty.

Probation Intake

Upon receipt of a CBA disciplinary order, the probation monitor begins by reviewing all terms and conditions of probation and creating a master tracking sheet that lists the specific due dates associated with the various terms and conditions. Earlier this year, the CBA began assigning a low, medium, or high risk factor to each licensee based on factors such as the type of violation that lead to the discipline, the length of time the violation occurred, and potential for future consumer harm or violation of probation.

- Low risk violations are more administrative in nature such as failing to complete the proper type or amount of continuing education. In these cases the licensee is more likely to be monitored based on quarterly written reports with fewer personal appearances.
- Medium risk violations are more substantive such as renewing a license without undergoing peer review when one was required. In these cases the disciplinary order would likely include a probationary term restricting practice activities, which requires close monitoring to ensure the licensee is not performing the restricted services. Absent the practice restriction, this licensee would be categorized as high risk.

Discussion Regarding the CBA's Probation Monitoring Program

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- High risk violations represent the most egregious violations such as gross negligence or repeated acts of negligence on an audit, where the final order allows the licensee to continue to perform audits while serving out the term of probation. In these cases the licensee will be selected for a practice investigation, an Investigative CPA will review samples of work performed, and more frequent personal appearances will be required.

The probation monitor initiates contact with the licensee via an introductory letter. The letter outlines the terms of probation including specific due dates associated with any reporting requirements and includes a copy of the adopted disciplinary order, complete schedule of quarterly report dates for the duration of the probationary term, and a blank copy of the quarterly written report form.

Probation Orientation

Each licensee placed on probation is scheduled to attend a probation orientation during which the probation monitor and the licensee discuss each term of probation to ensure that the licensee has a complete understanding of the requirements that must be met to successfully complete probation. At the conclusion of the orientation, the licensee and the probation monitor sign a probation orientation summary report that lists the specific terms of probation and includes notes of any clarifications made during the meeting. The purpose of the summary report is to have written verification that the licensee was informed of all requirements and afforded an opportunity to ask questions.

Generally, probation meetings are scheduled in conjunction with Enforcement Advisory Committee (EAC) meetings, which occur five times a year. If the geographical location or length of time until the next EAC meeting is not suitable, an orientation will be scheduled at the CBA office or Department of Consumer Affairs Division of Investigation office locations throughout the state.

Probation orientations fall under the standard term of probation requiring personal appearances by the licensee. After the initial personal appearance subsequent meetings are scheduled as needed to discuss progress with probation and at the conclusion of probation. A licensee may be scheduled for more frequent meetings if violations of probation occur or if the licensee is deemed of higher risk.

Compliance with Terms

The probation monitor reviews each licensee's case tracking sheet at least once per month to ensure all due dates associated with the terms of probation are being met. As a standard term of probation, all licensees are required to submit quarterly reports within 10 days of the close of each quarter. The report requires the licensee to report his/her current work situation, whether s/he has been living or practicing outside of the State of California, and if s/he has taken any continuing education.

Another standard term of probation allows for practice investigations of any licensee practicing public accounting. During a practice investigation, the probation monitor and

Discussion Regarding the CBA's Probation Monitoring Program

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an Investigative CPA will meet with the licensee at his/her place of business to ensure the licensee is abiding by all terms of probation and is practicing in accordance with professional standards. This is accomplished by touring the licensee's place of business, discussing the scope of practice, and reviewing a selection of work product. With the addition of several new Investigative CPAs this fiscal year, staff will be increasing its practice investigation activities.

Provided the licensee abides by the terms and conditions of his/her probation, the probation concludes on the date outlined in the decision and the license is restored to a clear status. If the licensee fails to comply with the probationary terms, the probation monitor will contact the licensee and seek correction of the violation. If the licensee fails to comply, the probation monitor will initiate action with the Attorney General's Office to file a Petition to Revoke Probation. Once a Petition to Revoke Probation is filed, it follows the same process as any other disciplinary matter by eventually coming before the CBA members for adoption of a default decision, proposed decision, or stipulated settlement.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff does not have a recommendation on this agenda item.

Attachments

1. Standard Terms of Probation
2. Optional Terms of Probation



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Attachment 1

Standard Terms of Probation

Obey All Laws

Respondent shall obey all federal, California, other states' and local laws, including those rules relating to the practice of public accountancy in California.

Cost Reimbursement

Respondent shall reimburse the CBA \$_____ for its investigation and prosecution costs. The payment shall be made within __ days/months of the date the CBA's decision is final.

Option: The payment shall be made as follows: _____ [specify either prior to the resumption of practice or in quarterly payments (due with quarterly written reports), the final payment being due one year before probation is scheduled to terminate].

Submit Written Reports

Respondent shall submit, within 10 days of completion of the quarter, written reports to the CBA on a form obtained from the CBA. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the CBA or its representatives.

Personal Appearances

Respondent shall, during the period of probation, appear in person at interviews/meetings as directed by the CBA or its designated representatives, provided such notification is accomplished in a timely manner.

Comply With Probation

Respondent shall fully comply with the terms and conditions of the probation imposed by the CBA and shall cooperate fully with representatives of the CBA in its monitoring and investigation of the respondent's compliance with probation terms and conditions.

Practice Investigation

Respondent shall be subject to, and shall permit, a practice investigation of the respondent's professional practice. Such a practice investigation shall be conducted by representatives of the CBA, provided notification of such review is accomplished in a timely manner.

Comply With Citations

Respondent shall comply with all final orders resulting from citations issued by the CBA.

Tolling of Probation for Out-of-State Residence/Practice

In the event respondent should leave California to reside or practice outside this state, respondent must notify the CBA in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the CBA costs, and make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice except at the written direction of the CBA.

Violation of Probation

If respondent violates probation in any respect, the CBA, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the CBA shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

The CBA's Executive Officer may issue a citation under California Code of Regulations, Section 95, to a licensee for a violation of a term or condition contained in a decision placing that licensee on probation.

Completion of Probation

Upon successful completion of probation, respondent's license will be fully restored.



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Attachment 2

Optional Terms of Probation

Supervised Practice

Within thirty days of the effective date of this decision, respondent shall submit to the CBA or its designee for its prior approval a plan of practice that shall be monitored by another CPA or PA who provides periodic reports to the CBA or its designee. Respondent shall pay all costs for such monitoring.

Restitution

Respondent shall make restitution to _____ in the amount of \$_____ and shall provide the CBA with a written release from _____ attesting that full restitution has been paid. Restitution shall be completed before the termination of probation.

Restricted Practice

Respondent shall be prohibited from _____ (performing certain types of engagements such as audits, reviews, compilations, or attestation engagements, etc.), and/or from practice in _____ (certain specialty areas, i.e. bookkeeping, write-up, tax, auditing, etc.).

Engagement Letters

Respondent shall use engagement letters with each engagement accepted during probation and shall provide copies of same to the CBA or its designee upon request.

Library Reference Materials

Respondent shall have immediate access to, shall use, and shall maintain published materials and/or checklists that are consistent with the practice. Such materials and checklists shall be produced on-site for review by the CBA or its designee upon reasonable notice.

Ethics Continuing Education

Respondent shall complete four hours of continuing education in course subject matter pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations (within a given period of time or prior to resumption of practice). Courses must be a minimum of one hour as described in California Code of Regulations section 88.2, (Courses will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to complete said courses within the time period provided, respondent shall so notify the CBA and shall cease practice until respondent completes said

courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses no later than 100 days prior to the termination of probation shall constitute a violation of probation.

Regulatory Review Course

Respondent shall complete a CBA-approved course on the provisions of the California Accountancy Act and the CBA Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations (within a given period of time or prior to resumption of practice). The course also will include an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined. The course shall be (a minimum of two hours) hours.

If respondent fails to complete said courses within the time period provided, respondent shall so notify the CBA and shall cease practice until respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses no later than 100 days prior to the termination of probation shall constitute a violation of probation.

Peer Review

During the period of probation, all audit, review, and compilation reports and work papers shall be subject to peer review by a certified peer reviewer at respondent's expense. The review shall evaluate the respondent's and his/her firm's system of quality control, including its organizational structure, the policies and procedures established by the firm, and the firm's compliance with its quality control system as determined on the basis of a review of selected engagements. The specific engagements to be reviewed shall be at the discretion of the peer reviewer.

Upon completion of the peer review, respondent shall submit a copy of the report with the reviewer's conclusions and findings to the CBA.

CPA Exam

Respondent shall take and pass the (section) of the CPA examination (within a given period of time - e.g., within 180 days of the effective date of the decision or within 180 days of completion of educational program, etc. or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the CBA and shall cease practice until respondent takes and successfully passes said exam, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to pass the

required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.

Enrolled Agents Exam

Respondent shall take and pass the enrolled agents exam (within a given period of time or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the CBA and shall cease practice until respondent takes and successfully passes said examination, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.

Continuing Education Courses

Respondent shall complete and provide proper documentation of (specified) professional education courses within (a designated time). This (shall be/shall not be) in addition to continuing education requirements for relicensing.

OR

Respondent shall complete professional education courses as specified by the CBA or its designee at the time of respondent's first probation appearance. The professional education courses shall be completed within a period of time designated and specified in writing by the CBA or its designee, which time frame shall be incorporated as a condition of this probation. This (shall be/shall not be) in addition to continuing education requirements for relicensing.

Failure to satisfactorily complete the required courses as scheduled or failure to complete same no later than 100 days prior to the termination of probation shall constitute a violation of probation.

Active License Status

Respondent shall at all times maintain an active license status with the CBA, including during any period of suspension. If the license is expired at the time the CBA's decision becomes effective, the license must be renewed within 30 days of the effective date of the decision.

Samples - Audit, Review or Compilation

During the period of probation, if the respondent undertakes an audit, review or compilation engagement, the respondent shall submit to the CBA as an attachment to the required quarterly report a listing of the same. The CBA or its designee may select one or more from each category and the resulting report and financial statement and all related working papers must be submitted to the CBA or its designee upon request.

Prohibition from Handling Funds

During the period of probation the respondent shall engage in no activities which require receiving or disbursing funds for or on behalf of any other person, company, partnership, association, corporation, or other business entity.

Community Service - Free Services

Respondent shall participate in a community service program as directed by the CBA or its designee in which respondent provides free professional services on a regular basis to a community or charitable facility or agency, amounting to a minimum of ____ hours. Such services to begin no later than __ days after respondent is notified of the program and to be completed no later than _____. Respondent shall submit proof of compliance with this requirement to the CBA. Respondent is entirely responsible for his or her performance in the program and the CBA assumes neither express nor implied responsibility for respondent's performance nor for the product or services rendered.

Relinquish Certificate

Respondent shall relinquish and shall forward or deliver the certificate or permit to practice to the CBA office within 10 days of the effective date of this decision and order.

Notification to Clients/Cessation of Practice

In orders that provide for a cessation or suspension of practice, respondent shall comply with procedures provided by the CBA or its designee regarding notification to, and management of, clients.

Administrative Penalty

Respondent shall pay to the CBA an administrative penalty in the amount of \$_____ for violation of Section(s) _____ of the California Accountancy Act. The payment shall be made within __days/months of the date the CBA's decision is final.

Medical Treatment

Respondent shall undergo and continue treatment by a licensed physician of respondent's choice and approved by the CBA or its designee until the treating physician certifies in writing in a report to the CBA or its designee that treatment is no longer necessary. Respondent shall have the treating physician submit reports to the CBA at intervals determined by the CBA or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the CBA of its determination that respondent is physically fit to practice.

Psychotherapist

Respondent shall undergo and continue treatment by a licensed psychotherapist of respondent's choice and approved by the CBA or its designee until the treating psychotherapist certifies in writing in a report to the CBA or its designee that treatment

is no longer necessary. Respondent shall have the treating psychotherapist submit reports to the CBA at intervals determined by the CBA or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the CBA of its determination that respondent is mentally fit to practice.

Rehabilitation Program/Chemical Dependence

Respondent shall successfully complete or shall have successfully completed a rehabilitation program for chemical dependence that the CBA or its designee approves and shall have reports submitted by the program. If a program was not successfully completed prior to the period of probation, the respondent, within a reasonable period of time as determined by the CBA or its designee but not exceeding 90 days of the effective date of the decision, shall be enrolled in a program. In addition, respondent must attend support groups, (e.g. Narcotics Anonymous, Alcoholic Anonymous etc.), as directed by the CBA or its designee. Respondent is responsible for all costs of such a program.

Drugs - Abstain From Use

Respondent shall completely abstain from the personal use of all psychotropic drugs, including alcohol, in any form except when the same are lawfully prescribed.

Drugs - Screening

Respondent shall participate or shall have participated in a drug screening program acceptable to the CBA and shall have reports submitted by the program. Respondent is responsible for all costs associated with said screening and reporting.

Biological Fluid Testing

Respondent, at any time during the period of probation, shall fully cooperate with the CBA or its designee in its supervision and investigation of compliance with the terms and conditions of probation, and shall, when requested, submit to such tests and samples as the CBA or its designee may require for the detection of alcohol, narcotics, hypnotic, dangerous drugs, or controlled substances. Respondent is responsible for all costs associated with this investigation and testing.



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CBA Item VIII.C.
July 22-23, 2015

Discussion and Possible Action to Direct Staff to Bring Proposed Modifications to the Use of Tolling in 2016 for Licensees Permanently Residing Out of State or Who Are Disciplined Under California's Mobility Provisions

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an opportunity to discuss and possibly take action to modify the use of tolling as a standard term of probation for licensees permanently residing out of state or who are disciplined under California's mobility provisions.

Action(s) Needed

No specific action is required on this agenda item unless members elect to make changes to the probationary term of tolling.

Background

At its March 2014 meeting the Enforcement Program Oversight Committee (EPOC) discussed probation monitoring of out-of-state certified public accountants (CPAs) with an emphasis on how staff accomplishes the monitoring of personal appearances, practice investigations, and tolling for this subset of probationers. No action was taken on that agenda item.

As noted in **Agenda Item VIII.B.**, tolling is a standard term of probation and, therefore, included in nearly all disciplinary orders that place a licensee on probation. Specifically, the tolling term states:

In the event respondent should leave California to reside or practice outside this state, respondent must notify the CBA in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the CBA costs, and make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice except at the written direction of the CBA.

Discussion and Possible Action to Direct Staff to Bring Proposed Modifications to the Use of Tolling in 2016 for Licensees Permanently Residing Out of State or Who Are Disciplined Under California's Mobility Provisions

Page 2 of 2

Comments

It is the responsibility of staff to ensure that a licensee on probation conforms to all aspects of the disciplinary order. Probation allows a licensee to prove that s/he is rehabilitated and gives staff the opportunity to monitor the probationer to ensure he/she is no longer a threat to California consumers. A licensee that lives out of state is required to complete all terms of probation, as if s/he lived or worked in California including the submission of quarterly written reports, reimbursement of CBA costs, making personal appearances to meet with a probation monitor, and completing any standard or optional terms of probation as ordered.

The purpose of the tolling clause is to ensure that a licensee is not disciplined by the CBA and then flees to another state in an effort to avoid monitoring during the probationary period. The tolling clause can significantly extend the probationary period for a licensee who resides out of state and who does not have a desire to return to California to work or reside, as the probationary period never advances and s/he is permanently tolled. However, after a period of one year has passed from the date of the decision placing a licensee on probation, the licensee can petition the CBA to have the terms of probation modified, including the removal of the tolling clause. As tolling is a standard term of probation, it is required in nearly all disciplinary orders placing a licensee on probation.

Presently, the CBA has eight licensees with probation in a tolling status, which is up from three at the same time last year. Due to the increased mobility of the accountancy profession in recent years and the new mobility provisions, this number is expected to further increase. This agenda item is designed to provide the CBA with the opportunity to discuss whether to modify the tolling provisions as a standard term of probation for licensees that permanently reside out of state or are disciplined under mobility.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Should members elect to make changes to the use of tolling as a standard term of probation for licensees that permanently reside out of state and/or licensees disciplined under mobility, it is recommended that staff be directed to bring the changes back to the CBA for action in early 2016 as part of the scheduled review of the CBA's guiding document, *A Manual of Disciplinary Guidelines and Model Disciplinary Orders, 8th Edition*.

Attachment

None.

Memorandum

To : CBA Members

Date : July 15, 2015

Telephone : (916) 561-4376

Facsimile : (916) 263-3674

E-mail : Gina.Sanchez@cba.ca.gov

From : Gina Sanchez
Licensing Division Chief

Subject : Agenda Item IX.A. – **Amended** Licensing Activity Report

Please replace the Licensing Activity Report that was included in your binder for the July 22-23, 2015 CBA meeting, with the attached.

The prior version that was included in your binder has been revised as follows:

- Throughout the report, the verbiage “As of May 31” has been added to the third column titled FY 2014/15

Copies of the amended items will also be available at the CBA meeting.

If you have questions, please contact me at the telephone number or email address listed above.

Attachment

**California Board of Accountancy
Licensing Activity Report
As of May 31, 2015**

**CBA Item IX.A.
July 22-23, 2015**

Licensee Population

Type of License	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
CPA	87,015	90,912	91,511
PA	105	85	67
Partnership	1,431	1,460	1,487
Corporation	3,835	3,995	4,172

Contact with CBA Stakeholders

Telephone Calls Received	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Examination Unit	22,610	18,815	20,289
Initial Licensing Unit	24,006	27,889	20,801
License Renewal and Continuing Competency Unit	20,958	25,172	24,272
Practice Privilege Unit	921	663	419

Emails Received	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Examination Unit	11,551	10,867	11,581
Initial Licensing Unit	9,670	14,098	13,143
License Renewal and Continuing Competency Unit	9,601	14,488	24,564
Practice Privilege Unit	583	381	350

**California Board of Accountancy
Licensing Activity Report
As of May 31, 2015**

Examination Unit

- The Examination Unit is fully staffed and meeting its processing timeframe goals.

CPA Examination Applications	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
First-Time Sitter			
Total Received	7,175	6,661	6,467
Total Approved	7,462	6,720	6,114
Average Days to Process	25	20	30
Repeat Sitter			
Total Received	18,584	17,044	14,720
Total Approved	18,685	17,455	15,123
Average Days to Process	8	6	9

CPA Examination Special Requests	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Conditional Credit and Notice to Schedule Extensions*			
Total Received	114	173	162
Total Completed	104	176	152
Average Days to Process	16	18	28
Educational Qualification Appeals**			
Total Received	40	50	27
Total Completed	37	52	19
Average Days to Process	20	22	19
Special Accommodation Requests**			
Total Received	69	172	165
Total Completed	69	178	167
Average Days to Process	8	12	18

* These statistics were not tracked prior to January 1, 2013.

** These statistics were not tracked prior to April 1, 2013.

**California Board of Accountancy
Licensing Activity Report
As of May 31, 2015**

Initial Licensing Unit

- The Initial Licensing Unit (ILU) is recruiting to fill one limited-term Staff Services Analyst position and three Program Technician II positions.
- ILU staff continue working towards implementation of the next phase of the attest study, which includes outreach and pre-testing. The full attest study is set to launch to target audiences in Summer 2015.

Individual License Applications	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Certified Public Accountant			
Total Received	3,654	4,600	2,752
Total Approved	3,474	4,906	2,474
Average Days to Process	25	24	24
Method of Licensure			
Pathway 0	4	0	0
Pathway 1 – attest	416	522	163
Pathway 1 – general	543	824	254
Pathway 2 – attest	756	928	294
Pathway 2 – general	1,755	2,560	869
New Requirements – attest*	n/a	17	225
New Requirements – general*	n/a	55	669

* Effective January 1, 2014, new educational requirements for CPA licensure took effect. Applicants who passed the Uniform CPA Examination prior to December 31, 2013, may continue to apply under previous Pathways 1 and 2 until December 31, 2015.

Certification Requests	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Total Received	1,073	1,039	925
Total Processed	1,073	972	942
Average Days to Process	20	22	20

**California Board of Accountancy
Licensing Activity Report
As of May 31, 2015**

Firm License Applications	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Corporation			
Total Received	221	210	250
Total Approved	174	200	201
Average Days to Process	14	17	16
Partnership			
Total Received	89	91	82
Total Approved	70	92	71
Average Days to Process	14	17	16
Fictitious Name Permit			
Total Received	169	183	110
Total Approved	105	139	82
Average Days to Process	14	17	16

**California Board of Accountancy
Licensing Activity Report
As of May 31, 2015**

License Renewal and Continuing Competency Unit

- The License Renewal and Continuing Competency (RCC) Unit is beginning to explore various methods of registering, or otherwise identifying, sole proprietorships and further refining the peer review reporting process, which was identified in the 2014 Sunset Review Report as a new issue.
- The RCC Unit is recruiting to fill a permanent intermittent Program Technician II position.

License Renewal	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Total Licenses Renewed			
Certified Public Accountant	38,334	39,164	36,796
Public Accountant	25	12	12
Corporation	1,560	1,526	1,436
Partnership	579	572	497
License Renewal Verification			
CPA/PA Applications Reviewed	36,927	39,605	31,800
Deficient Applications Identified	4,064	5,659	9,053
Compliance Responses Received	3,453	4,128	8,064
Outstanding Deficiencies	558	1,510	1,964
Top Three Renewal Deficiencies			
1:	--	Peer Review Form ¹	Peer Review Form ¹
2:	--	Renewal Application ²	Renewal Application ²
3:	--	Ethics CE ³	Ethics CE ³

-- Previously, license renewal applications that were identified as deficient due to more than one reason were categorized and reported as a "multiple" deficiency. Beginning January 1, 2014 this category was expanded to provide a more accurate accounting of each deficiency type identified.

1 – Failure to submit/incomplete/failed on behalf of firm – peer review reporting form.

2 – Failure to submit/incomplete license renewal application.

3 – Failure to complete four hours of ethics continuing education.

**California Board of Accountancy
Licensing Activity Report
As of May 31, 2015**

License Renewal Related Activities	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
CE Audits			
Licensees Selected for Audit	30	855	825
Outstanding Audits	0	508	62
Compliance Letters Sent	30	347	1,255
Enforcement Referrals*			
	53	582	931
Retired Status**			
Applications Received	--	--	616
Applications Failing to Meet Minimum Qualifications	--	--	10
Applications Approved	--	--	606

* Enforcement Referrals include license renewal-related deficiencies such as CE, fingerprints, and peer review.

** Effective July 1, 2014 licensees may apply for retired status.

Practice Privilege Unit

Practice Privilege	FY 2012/13	FY 2013/14	FY 2014/15 As of May 31
Out-of-State Accounting Firm Registrations			
Approved	--	209	123
Pending Review	--	0	1
Pending Correction of Deficiencies	--	5	1
Enforcement Referrals	--	11	14



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LC Item II.
 July 23, 2015

CBA Item X.A.2.
 July 22-23, 2015

2015-16 Legislative Tracking List

<i>CBA Positions</i>				
Bill #	Author	Topic	Position	Status As of July 21
AB 85	Wilk	Open meetings	Oppose	Senate Appropriations
AB 507	Olsen	Department of Consumer Affairs: BreEZe: annual report	Support	Senate BP&ED
AB 750	Low	Business and professions: retired category: licenses	Neutral	Two-year bill
AB 1060	Bonilla	Professions and vocations: licensure Cancer clinical trials	Neutral	Senate Appropriations
SB 8	Hertzberg	Taxation	Watch	Two-year bill
SB 467	Hill	Professions and vocations (CBA's Sunset Review Bill)	Support	Assembly Appropriations
SB 799	Senate BP&ED	Business and professions (Omnibus)	Support	Assembly Floor
<i>Monitoring</i>				
AB 12	Cooley	Regulations: review	None	Senate Governmental Organization
AB 513	Jones	Professions and vocations (spot bill)	None	Two-year bill
AB 1215	Ting	Open government	None	Two-year bill
SB 729	Wieckowski	Consumer complaints (spot bill)	None	Two-year bill

**DEPARTMENT OF CONSUMER AFFAIRS**

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LC Item III.A.
 July 23, 2015

CBA Item X.A.3.a.
 July 22-23, 2015

**CALIFORNIA BOARD OF ACCOUNTANCY LEGISLATIVE ANALYSIS
 AB 85**

Subject:	Open Meetings	Version	4/15/15
Author:	Wilk	Status:	Senate Committee on Governmental Organizations
Sponsor:	Author		
CBA Position:	Oppose		

Action(s) Needed

There is no specific action needed on this item. This bill has had no change in status or impact on the California Board of Accountancy (CBA) since its last meeting.

Summary

This urgency measure is intended to clarify that, under the Bagley-Keene Open Meeting Act, a two-member advisory committee of a state body is a "state body" if a member of that state body sits on the advisory committee and the committee receives funds from the state body.

Specifically, this bill:

- 1) States that the definition of "state body" includes an advisory board, advisory commission, advisory committee, advisory subcommittee, or similar multimember advisory body of a state body that consists of three or more individuals, as described, except a board, commission, committee, or similar multimember body on which a member of a body serves in his or her official capacity as a representative of that state body and that is supported, in whole or in part, by funds provided by the state body, whether the multimember body is organized and operated by the state body or by a private corporation.
- 2) Contains an urgency clause.

Background

Current law requires all standing committees of a local government entity or of the Legislature to hold meetings that are open to the public whether or not the standing committee takes action.

Government Code contains two parallel open meeting statutes: the Brown Act for local governments and the Bagley-Keene Act for state government. Prior to 1993, the Brown Act contained language very similar to the current language in the Bagley-Keene Act regarding standing committees.

However, in the 1990s, after a local government entity attempted to claim a loophole existed for two-member standing committees, the Legislature promptly removed any ambiguity on the matter from the Brown Act [SB 1140 (Calderon) (Chapter 1138, Statutes of 1993)]. A conforming change was not made to the Bagley-Keene Act, as no change was thought necessary.

Analysis

This bill has had no change in status or impact on the CBA since the last meeting. This bill is intended to increase transparency and public participation and oversight of state entities that form certain advisory or policy bodies of fewer than three persons that are not subject to open meeting requirements.

Costs to individual state entities are likely to be relatively minor, but cumulatively could reach the hundreds of thousands annually.

It should be noted that these advisory bodies are generally formed to investigate specific issues and advise a full board at public meetings, and cannot take official actions independently. The bill would impose increased duties on state entities who currently have advisory bodies consisting of fewer than three members related to compliance with the open meeting requirements of the Bagley-Keene Act, including publicly noticing all meetings, preparing formal agendas, accepting public testimony, conducting meetings in public, and recording proceedings.

In April, staff submitted a letter of opposition to the author's office, which expressed the CBA's continued willingness to discuss the bill along with an invitation to attend the CBA's next meeting or to contact CBA staff to schedule a meeting. Additionally, as this bill moves through the legislative process, staff will continue to submit letters of opposition to the appropriate Legislative Committees that will hear the bill.

Fiscal Estimate

The Assembly Committee on Appropriations has estimated this bill to be of potentially significant costs, in excess of \$750,000, to state agencies for complying with notice and open meeting requirements in instances currently not subject to those requirements.

Recommendation

Staff recommend that the CBA maintain its current Oppose position.

Support/Opposition

Support: California Association of Licensed Investigators

AB 85

Page 3 of 3

Opposition: California Board of Accountancy
Dental Board of California
Dental Hygiene Committee of California
California Board of Psychology
Physician Assistant Board
Board of Pharmacy
Board of Vocational Nursing and Psychiatric Technicians

Effective/Operative Date

This is an urgency statute and becomes effective upon signing by the Governor.

Attachments

1. AB 85
2. CBA Letters of Opposition

AMENDED IN ASSEMBLY APRIL 15, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 85

Introduced by Assembly Member Wilk

January 6, 2015

An act to amend Section 11121 of the Government Code, relating to state government, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL’S DIGEST

AB 85, as amended, Wilk. Open meetings.

The Bagley-Keene Open Meeting Act requires that all meetings of a state body, as defined, be open and public and that all persons be permitted to attend and participate in a meeting of a state body, subject to certain conditions and exceptions.

This bill would specify that the definition of “state body” includes an advisory board, advisory commission, advisory committee, advisory subcommittee, or similar multimember advisory body of a state body that consists of 3 or more individuals, as prescribed, except a board, commission, committee, or similar multimember body on which a member of a body serves in his or her official capacity as a representative of that state body and that is supported, in whole or in part, by funds provided by the state body, whether the multimember body is organized and operated by the state body or by a private corporation.

~~This bill would make legislative findings and declarations, including, but not limited to, a statement of the Legislature’s intent that this bill is declaratory of existing law.~~

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. The Legislature finds and declares all of the~~
 2 ~~following:~~

3 ~~(a) The unpublished decision of the Third District Court of~~
 4 ~~Appeals in Funeral Security Plans v. State Board of Funeral~~
 5 ~~Directors (1994) 28 Cal. App.4th 1470 is an accurate reflection of~~
 6 ~~legislative intent with respect to the applicability of the~~
 7 ~~Bagley-Keene Open Meeting Act (Article 9 (commencing with~~
 8 ~~Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of~~
 9 ~~the Government Code) to a two-member standing advisory~~
 10 ~~committee of a state body.~~

11 ~~(b) A two-member committee of a state body, even if operating~~
 12 ~~solely in an advisory capacity, already is a “state body,” as defined~~
 13 ~~in subdivision (d) of Section 11121 of the Government Code, if a~~
 14 ~~member of the state body sits on the committee and the committee~~
 15 ~~receives funds from the state body.~~

16 ~~(c) It is the intent of the Legislature that this bill is declaratory~~
 17 ~~of existing law.~~

18 ~~SEC. 2.~~

19 ~~SECTION 1.~~ Section 11121 of the Government Code is
 20 ~~amended to read:~~

21 ~~11121. As used in this article, “state body” means each of the~~
 22 ~~following:~~

23 ~~(a) Every state board, or commission, or similar multimember~~
 24 ~~body of the state that is created by statute or required by law to~~
 25 ~~conduct official meetings and every commission created by~~
 26 ~~executive order.~~

27 ~~(b) A board, commission, committee, or similar multimember~~
 28 ~~body that exercises any authority of a state body delegated to it by~~
 29 ~~that state body.~~

30 ~~(c) An advisory board, advisory commission, advisory~~
 31 ~~committee, advisory subcommittee, or similar multimember~~
 32 ~~advisory body of a state body, if created by formal action of the~~
 33 ~~state body or of any member of the state body, and if the advisory~~

1 body so created consists of three or more persons, except as in
2 subdivision (d).

3 (d) A board, commission, committee, or similar multimember
4 body on which a member of a body that is a state body pursuant
5 to this section serves in his or her official capacity as a
6 representative of that state body and that is supported, in whole or
7 in part, by funds provided by the state body, whether the
8 multimember body is organized and operated by the state body or
9 by a private corporation.

10 ~~SEC. 3.~~

11 *SEC. 2.* This act is an urgency statute necessary for the
12 immediate preservation of the public peace, health, or safety within
13 the meaning of Article IV of the Constitution and shall go into
14 immediate effect. The facts constituting the necessity are:

15 In order to avoid unnecessary litigation and ensure the people's
16 right to access the meetings of public bodies pursuant to Section
17 3 of Article 1 of the California Constitution, it is necessary that
18 *this act take effect ~~immediately~~ immediately.*

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June 29, 2015

Attachment 2

Senate Committee on Governmental Organization
Senator Isadore Hall, III, Chair
State Capitol
Sacramento, CA 95814

Bill: AB 85
Position: OPPOSE

Dear Senator Hall,

At its March 19, 2015, meeting, the California Board of Accountancy (CBA) voted to take an oppose position on Assembly Bill (AB) 85.

AB 85 would require two-member advisory committees or panels of a "state body" (as defined in the Bagley-Keene Open Meeting Act) to hold open, public meetings if at least one member of the advisory committee is a member of the larger state body and the advisory committee is supported, in whole or in part, by state funds.

This bill would prevent the CBA, and all of its various committees, from asking fewer than three members to review a document, draft a letter, provide expert analysis, or work on legal language without giving public notice. Under current law, the advisory activities of these two-member bodies are already vetted and voted upon in a publically noticed meeting of the whole committee or board.

AB 85 would also prohibit two board members from visiting Legislators to discuss important consumer protection issues related to the practice of public accountancy, as it would be impractical, if not impossible, to publically notice legislative visits scheduled on short notice.

In addition, making advisory activities of two members open to the public will greatly increase costs as a staff member would need to travel to attend the meeting for the purpose of recording minutes. Agencies would also need to contract for meeting space that would be able to accommodate the public, thus incurring further costs.

The CBA truly appreciates the goal of this bill to increase public participation and government transparency. The CBA has unilaterally taken several steps to increase its transparency. However, the CBA believes that the advisory activities of two members are already given complete transparency and the chance for public input when they are fully vetted and voted upon in forums that are already open to the public.

For these reasons, the CBA has taken an oppose position on AB 85.

June 29, 2015

Page 2

If you have questions regarding the CBA's oppose position, please contact the CBA's Legislative Analyst, Kathryn Kay, by telephone at (916) 561-1742 or by email at kathryn.kay@cba.ca.gov.

Sincerely,

A handwritten signature in black ink that reads "Jose A. Campos". The signature is written in a cursive style with a large initial "J" and "C".

Jose A. Campos, CPA
President

c: Assembly Member Scott Wilk
Members, California Board of Accountancy
Patti Bowers, Executive Officer



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LC Item III.B.
 July 23, 2015

CBA Item X.A.3.b.
 July 22-23, 2015

CALIFORNIA BOARD OF ACCOUNTANCY LEGISLATIVE ANALYSIS AB 507

Subject:	Department of Consumer Affairs: BreEZe: Annual Report	Version	6/1/15
Author:	Olsen	Status:	Senate BP&ED
Sponsor:	Author		
CBA Position:	Support		

Action(s) Needed

There is no specific action needed on this item. Amendments to this bill do not have a significant change in status or impact on the California Board of Accountancy (CBA).

Summary

Assembly Bill (AB) 507 would require the Department of Consumer Affairs (DCA) to submit an annual report to the Legislature and the Department of Finance (DOF) that includes an implementation plan for the boards and bureaus in phase three of the BreEZe computer system release.

Amendments

In June, the following amendments were made to the bill:

- 1) Requires the DCA to submit the annual report on and after October 1, 2015, rather than January 1, 2016.
- 2) Declares it an urgency statute.

Background

In 2009, the DCA proposed the BreEZe information technology system and the California Department of Technology (CalTech) approved the proposal. BreEZe was envisioned to replace DCA's out-dated Legacy technology system (the Consumer Affairs System or CAS) and provide needed applicant tracking, licensing, renewal, enforcement monitoring and cashiering support for the boards and bureaus within the DCA. The project began in 2011, and in 2013, BreEZe was launched for 10 of the regulatory entities (phase one). In March of 2016, BreEZe is intended to be launched for another eight entities (phase two).

The BreEZe system was in the midst of implementation for phases one and two regulatory entities, when management of the project came under public scrutiny from a variety of sources, including Assembly Member Kristin Olsen. In June 2014, Assembly Member Olsen requested an audit of policies and procedures on the planning, development, and implementation of BreEZe.

On February 12, 2015, the State Auditor released a report¹ reflecting the following key recommendations:

- The Legislature should require [DCA] to submit a report annually that includes implementation plans for the project's phase three regulatory entities, estimated costs through implementation, and any operation efficiencies that will result from implementation by the regulatory entities;
- CalTech should ensure that [DCA] promptly responds to and addresses concerns raised by independent oversight entities, require [DCA] to analyze the costs and benefits of moving forward with the project as planned versus suspending or terminating the projects, and document reasons for approving any future deviations from standard contract language; and,
- [DCA] should undertake all required oversight activities with respect to BreEZe to prevent or identify and monitor any problems that arise, complete a cost-benefit analysis of the project and any required changes, and continue to work with the phase one regulatory entities to ensure problems are promptly resolved.”

In March 2015, costs reported to the Legislature amounted to over \$95 million, over three times the original estimate, which covers the implementation for less than half of the DCA's boards and bureaus. Additionally, phase three has been removed from the contract, which has left no plan for implementation of the 19 boards and bureaus in this phase. The CBA has spent approximately \$501,000 in the last four fiscal years on BreEZe, and projected costs in the next two fiscal years are estimated to be approximately \$615,000 without a scheduled transition date.

Analysis

Amendments made to the bill will not change its effect. This bill would still require that the DCA submit an annual report to the Legislature regarding BreEZe implementation for phase three, that will include:

1. Its plan for implementing BreEZe for the regulatory entities included in the project's third phase, including a timeline for the implementation.
2. The total estimated costs through implementation of the BreEZe system for the remaining 19 regulatory entities and the results of any cost-benefit analysis it conducted for phase three.

¹ California State Auditor Fact Sheet, California Department of Consumer Affairs' BreEZe System, February 12, 2015

3. A description of whether and to what extent the system will achieve any operational efficiencies resulting from implementation by the regulatory entities.

Fiscal Estimate

According to the Assembly Appropriations Committee, this bill would result in minor and absorbable costs to the DCA to complete the annual report.

Recommendation

Staff recommend that the CBA maintain its current Support position.

Support/Opposition

Support: California Board of Accountancy

Opposition: None at this time.

Effective/Operative Date

This is an urgency statute and becomes effective upon signing by the Governor.

Attachments

1. AB 507
2. CBA Letter of Support

Memorandum

LC Item III.B.
July 23, 2015

CBA Item X.A.3.b.
July 22-23, 2015

To : CBA Members

Date : July 14, 2015

Phone : (916) 561-1742

Facsimile : (916) 263-3676

E-mail : kathryn.kay@cba.ca.gov

From : Kathryn Kay, Legislative Analyst

Subject : **Assembly Bill 507**

On July 9, 2015, Assembly Bill (AB) 507 was amended (**Attachment**). This bill would require that the Department of Consumer Affairs (DCA) submit an annual report to the Legislature and the Department of Finance that includes, among other things, the implementation plan for phase three of the BreEZe system.

Amendments

- The report due date has changed from on or before October 1, 2015, to on or before March 1, 2016, or thereafter when available.
- The report still calls for the estimated costs of implementation; however, the cost-benefit analysis is no longer specific to the third phase of BreEZe and is now more general.
- The description of operational efficiencies achieved as a result of BreEZe implementation is required only if available.
- Requires that the DCA post a list of boards utilizing BreEZe on its website.

AMENDED IN SENATE JULY 9, 2015
AMENDED IN ASSEMBLY JUNE 1, 2015
AMENDED IN ASSEMBLY MARCH 26, 2015
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 507

Introduced by Assembly Member Olsen
(Principal coauthor: Assembly Member Gray)
(Coauthors: Assembly Members ~~Chang and Dodd~~ *Chang, Dodd,*
***Obernolte, and Waldron*)**
(Coauthor: Senator Bates)

February 23, 2015

An act to add Section 210.5 to the Business and Professions Code, relating to the Department of Consumer Affairs, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 507, as amended, Olsen. Department of Consumer Affairs: BreEZe system: annual report.

Existing law authorizes the Department of Consumer Affairs to enter into a contract with a vendor for the licensing and enforcement of the BreEZe system, which is a specified integrated, enterprisewide enforcement case management and licensing system, no sooner than 30 days after written notification to certain committees of the Legislature. Existing law requires the amount of contract funds for the system to be consistent with costs approved by the office of the State Chief Information Officer, based on information provided by the department in a specified manner.

This bill would, ~~on and after October 1, 2015,~~ *or before March 1, 2016, or thereafter when available*, require the department to submit an annual report to the Legislature and the Department of Finance that includes, among other things, the department’s plans for implementing the BreEZe system at specified regulatory entities included in the department’s 3rd phase of the BreEZe implementation project, *when available*, including, but not limited to, a timeline for the implementation. *The bill would also require the department to post on its Internet Web site the name of each regulatory entity that is utilizing the BreEZe system once the regulatory entity begins using the BreEZe system.*

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 210.5 is added to the Business and
- 2 Professions Code, immediately following Section 210, to read:
- 3 210.5. (a) ~~On and after October 1, 2015,~~ *or before March 1,*
- 4 *2016, or thereafter when available*, the department shall submit
- 5 an annual report to the Legislature and the Department of Finance
- 6 that includes ~~all of~~ the following:
- 7 (1) The department’s plan for implementing the BreEZe system
- 8 at the regulatory entities in the department’s third phase of the
- 9 implementation project, including, but not limited to, a timeline
- 10 for implementation.
- 11 (2) The total estimated costs of implementation of the BreEZe
- 12 system at the regulatory entities in the department’s third phase
- 13 of the implementation project and the results of any *related*
- 14 cost-benefit analysis the department ~~conducted for the third phase~~
- 15 ~~of the implementation project.~~ *conducts.*
- 16 (3) A description of ~~whether and to what extent the BreEZe~~
- 17 ~~system will achieve any operational efficiencies resulting from~~
- 18 *achieved as a result of BreEZe* implementation by the ~~boards and~~
- 19 regulatory entities within the department’s ~~jurisdiction.~~ *jurisdiction,*
- 20 *if available.*
- 21 (b) The report described in subdivision (a) shall be submitted
- 22 in compliance with Section 9795 of the Government Code.

1 (c) *The department shall post on its Internet Web site the name*
2 *of each regulatory entity that is utilizing the BreEZe system once*
3 *the regulatory entity begins using the BreEZe system.*

4 (e)

5 (d) For purposes of this section, “the regulatory entities in the
6 department’s third phase of the implementation project” includes
7 all of the following:

8 (1) Acupuncture Board.

9 (2) Board for Professional Engineers, Land Surveyors, and
10 Geologists.

11 (3) Bureau of Automotive Repair.

12 (4) Bureau of Electronic and Appliance Repair, Home
13 Furnishings, and Thermal Insulation.

14 (5) Bureau for Private Postsecondary Education.

15 (6) California Architects Board.

16 (7) California Board of Accountancy.

17 (8) California State Board of Pharmacy.

18 (9) Cemetery and Funeral Bureau.

19 (10) Contractors’ State License Board.

20 (11) Court Reporters Board of California.

21 (12) Landscape Architects Technical Committee.

22 (13) Professional Fiduciaries Bureau.

23 (14) Speech-Language Pathology and Audiology and Hearing
24 Aid Dispensers Board.

25 (15) State Athletic Commission.

26 (16) State Board of Chiropractic Examiners.

27 (17) State Board of Guide Dogs for the Blind.

28 (18) Structural Pest Control Board.

29 (19) Telephone Medical Advice Services Bureau.

30 SEC. 2. This act is an urgency statute necessary for the
31 immediate preservation of the public peace, health, or safety within
32 the meaning of Article IV of the Constitution and shall go into
33 immediate effect. The facts constituting the necessity are:

34 Because of the circumstances surrounding the implementation
35 of the BreEZe system, and in order to ensure that healing arts and
36 other professionals are licensed in a timely and efficient manner,
37 it is necessary that this act take effect immediately.

O

**DEPARTMENT OF CONSUMER AFFAIRS**

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June 4, 2015

Attachment 2

Assembly Member Kristin Olsen
State Capitol
Sacramento, CA 95814

Bill: AB 507
Position: SUPPORT

Dear Assembly Member Olsen,

At its May 28, 2015, meeting, the California Board of Accountancy (CBA) voted to take a support position on Assembly Bill (AB) 507.

AB 507 would provide further information regarding direct fiscal and operational impacts on the CBA related to phase three implementation of BreZE. The CBA has spent approximately \$388,000 in the last four fiscal years on the project, and costs for the current and next two fiscal years are estimated to be approximately \$730,000 without a scheduled transition date.

The CBA is in support of this important bill as it seeks to promote government transparency.

Sincerely,

A handwritten signature in black ink that reads 'Jose A. Campos'.

Jose A. Campos, CPA
President

c: Assembly Member Adam Gray, Principal Coauthor
Assembly Member Ling-Ling Chang, Coauthor
Assembly Member Bill Dodd, Coauthor
Senator Patricia Bates, Coauthor
Senator Jerry Hill, Chair, Senate Business, Professions and Economic
Development Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer

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LC Item III.C.
 July 23, 2015

CBA Item X.A.3.c.
 July 22-23, 2015

CALIFORNIA BOARD OF ACCOUNTANCY LEGISLATIVE ANALYSIS
AB 750

Subject:	Business & Professions: Retired Licenses	Version	4/16/15
Author:	Low	Status:	Two-year bill
Sponsor:	Author		
CBA Position:	Neutral. Staff has been directed to work with the author's office regarding the CBA's exemption from the bill.		

Action(s) Needed

There is no specific action needed on this item. This is a two-year bill that has had no change in status or impact on the California Board of Accountancy (CBA) since its last meeting.

Summary

Assembly Bill (AB) 750 would authorize the Department of Consumer Affairs' (DCA) boards, bureaus, commissions, or programs to establish by regulation a system for a retired category of license for persons who are not actively engaged in the practice of their profession or vocation.

Background

Existing law permits the boards under the DCA to adopt regulations establishing a system for issuing inactive licenses. The law requires that the regulations cover fees, renewal, restoration to active status, and practice restrictions.

In 2011, the CBA sponsored Assembly Bill 431 (Chapter 395, Statutes of 2011), which contained language authorizing the CBA, at its discretion, to create a retired status for certified public accountant and public accountant licenses. In 2012, the CBA supported Senate Bill 1576 (Chapter 661, Statutes of 2012)¹, which included a provision that allowed an individual who had a canceled license to apply for and obtain a retired status license provided they met the minimum requirements. The CBA adopted regulations to implement the retired status, which were approved by the Office of Administrative Law on October 16, 2013, with the regulations taking effect on July 1, 2014.

¹ SB 1576 was authored by the Senate Business, Profession and Economic Development Committee as one of its omnibus bills.

At its May meeting, the CBA took a Neutral position on this bill and directed staff to continue to work with the author's office regarding an amendment that would exempt the CBA from the bill. On May 29, 2015, the Assembly Appropriations Committee held AB 750 under submission in its suspense file resulting in it failing to pass the fiscal committee deadline and turning it into a two-year bill. A two-year bill is one that is "dead," "stalled," or "held," or simply "not moved" by the author in the first year of a two-year session and cannot be heard again until the second year of the session. Generally, a bill becomes a two-year bill when it fails to meet a legislative deadline, such as a fiscal or policy committee deadline.

Analysis

AB 750 would provide the remaining boards within the DCA that do not presently have a retired license status with the authority to establish a system of retired licenses if they desire to.

As stated by the author, some licensees disfavor the inactive license designation and would prefer a retired license designation. Existing law only provides for a system of inactive licenses and many boards have sought legislation that would permit them to also create a retired license category. The intent is to provide all boards and bureaus within the DCA with this authority.

Staff has been in communication with the author's office and has been advised that AB 750 is not intended to conflict with any of boards' present provisions and that an amendment would be drafted to exempt all boards and bureaus with a retired license process already in place. In late May, the author's office was actively working with Legislative Counsel on this amendment.

It is unknown at this time whether the author will pursue this legislation in the 2016 legislative year.

Fiscal Estimate

The Assembly Appropriations Committee determined that there would be minor and absorbable costs to the DCA to update regulations, add license status designations, and update applications.

The DCA provided the following BreEZe system implementation impacts to the Committee:

- a) Negligible state costs for boards and bureaus in phase one. The requirements of this bill would be addressed under the existing maintenance and operation contract with the project vendor.
- b) One-time major state costs, likely in the millions of dollars, resulting from contract delays for phase two boards and bureaus if this bill is implemented prior to January 1, 2017. At this stage of the implementation, the DCA would

likely have to renegotiate the vendor contract and likely trigger a Special Project Report resulting in project delays. Currently, project delay costs are \$1.25 million per month for the vendor contract and an additional \$500,000 per month in additional state costs associated with the project.

- c) Negligible state costs for three of the 19 boards and bureaus in phase three that will incur costs of approximately \$6,500 per license type.

Recommendation

Considering this bill remains active for the 2015-16 legislative year, staff recommend that the CBA maintain its Neutral position.

Support/Opposition

Support: None at this time.
Opposition: None at this time.

Effective/Operative Date

January 1, 2017

Attachment

AB 750

AMENDED IN ASSEMBLY APRIL 16, 2015

AMENDED IN ASSEMBLY APRIL 6, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 750

Introduced by Assembly Member Low

February 25, 2015

An act to add Section 463 to the Business and Professions Code, relating to business and professions.

LEGISLATIVE COUNSEL'S DIGEST

AB 750, as amended, Low. Business and professions: retired category: licenses.

Existing law provides for numerous boards, bureaus, commissions, or programs within the Department of Consumer Affairs that administer the licensing and regulation of various businesses and professions. Existing law authorizes any of the boards, bureaus, commissions, or programs within the department, except as specified, to establish by regulation a system for an inactive category of license for persons who are not actively engaged in the practice of their profession or vocation. Under existing law, the holder of an inactive license is prohibited from engaging in any activity for which a license is required. Existing law defines "board" for these purposes to include, unless expressly provided otherwise, a bureau, commission, committee, department, division, examining committee, program, and agency.

This bill would additionally authorize any of the boards, bureaus, commissions, or programs within the department to establish by regulation a system for a retired category of license for persons who are not actively engaged in the practice of their profession or vocation,

and would prohibit the holder of a retired license from engaging in any activity for which a license is required, unless regulation specifies the criteria for a retired licensee to practice his or her profession. The bill would authorize a board upon its own determination, and would require a board upon receipt of a complaint from any person, to investigate the actions of any licensee, including, among others, a person with a license that is retired or inactive.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 463 is added to the Business and
- 2 Professions Code, to read:
- 3 463. (a) Any of the boards, bureaus, commissions, or programs
- 4 within the department may establish, by regulation, a system for
- 5 a retired category of licensure for persons who are not actively
- 6 engaged in the practice of their profession or vocation.
- 7 (b) The regulation shall contain the following:
- 8 (1) The holder of a retired license issued pursuant to this section
- 9 shall not engage in any activity for which a license is required,
- 10 unless the board, by regulation, specifies the criteria for a retired
- 11 licensee to practice his or her profession or vocation.
- 12 (2) The holder of a retired license shall not be required to renew
- 13 that license.
- 14 (3) In order for the holder of a retired license issued pursuant
- 15 to this section to restore his or her license to an active status, the
- 16 holder of that license shall meet all the following:
- 17 (A) Pay a fee established by regulation.
- 18 (B) ~~Not have~~ *Certify, in a manner satisfactory to the board, that*
- 19 *he or she has not* committed an act or crime constituting grounds
- 20 for denial of licensure.
- 21 (C) Comply with the fingerprint submission requirements
- 22 established by regulation.
- 23 (D) If the board requires completion of continuing education
- 24 for renewal of an active license, complete continuing education
- 25 equivalent to that required for renewal of an active license, unless
- 26 a different requirement is specified by the board.
- 27 (E) Complete any other requirements as specified by the board
- 28 by regulation.

1 (c) A board may upon its own determination, and shall upon
2 receipt of a complaint from any person, investigate the actions of
3 any licensee, including a person with a license that either restricts
4 or prohibits the practice of that person in his or her profession or
5 vocation, including, but not limited to, a license that is retired,
6 inactive, canceled, revoked, or suspended.

O



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LC Item III.D.
 July 23, 2015

CBA Item X.A.3.d.
 July 22-23, 2015

CALIFORNIA BOARD OF ACCOUNTANCY LEGISLATIVE ANALYSIS AB 1060

Subject:	Professions and Vocations: Licensure Cancer Clinical Trials	Version	6/17/15
Author:	Bonilla	Status:	Senate Health Committee
Sponsor:	Author		
CBA Position:	Neutral		

Action(s) Needed

The California Board of Accountancy (CBA) will be asked to determine if it wishes to discontinue following Assembly Bill (AB) 1060. Since its last meeting, this bill was amended and is no longer relevant to the CBA.

Summary

This bill would create the Cancer Clinical Trials Foundation within the Health and Human Services Agency, to be governed by a board of trustees and appointed as specified. This bill would also create the Cancer Clinical Trials Fund and would continuously appropriate this fund to the board as well as authorize the board to solicit and receive money, as specified. This bill would additionally require that the board report to the Legislature, as specified.

Background

At its May meeting, the CBA took a Neutral position on the March 26, 2015, version of AB 1060. This version would have required boards and bureaus under the Department of Consumer Affairs (DCA) to provide rehabilitation criteria information to licensees, when a license is suspended or revoked, through first-class mail and by email if a board has an email address on file for the licensee.

In mid-June, the bill was amended to address cancer clinical trials and no longer has an impact on the CBA.

Analysis

As this bill is no longer relevant to the CBA, staff have not prepared a full bill analysis.

Fiscal Estimate

Unknown. This bill has been identified as having a fiscal impact.

AB 1060

Page 2 of 2

Recommendation

Staff recommend that the CBA discontinue following AB 1060 as it is no longer relevant to the CBA.

Support/Opposition

Support: None at this time.

Opposition: None at this time.

Effective/Operative Date

January 1, 2016

Attachment

AB 1060

AMENDED IN SENATE JUNE 17, 2015

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1060

Introduced by Assembly Member Bonilla

February 26, 2015

An act to amend Section 491 of the Business and Professions Code, relating to professions and vocations: add Chapter 2 (commencing with Section 101990) to Part 6 of Division 101 of the Health and Safety Code, relating to cancer, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1060, as amended, Bonilla. ~~Professions and vocations: licensure. Cancer clinical trials.~~

Existing law establishes the scope and function of the California Health and Human Services Agency, which includes departments charged with administering laws pertaining to public health and social services, among other things. Existing law also establishes the Inclusion of Women and Minorities in Clinical Research Act, which is designed to promote the inclusion of women and minority groups in clinical research, including clinical trials.

This bill would create the Cancer Clinical Trials Foundation in the Health and Human Services Agency, to be governed by a board of trustees. Members of the board would be appointed as specified. The bill would also create the Cancer Clinical Trials Fund, and would continuously appropriate this fund to the board, thereby making an appropriation. The bill would authorize the board to solicit and receive money, as specified. The bill would require the board, upon contribution

of an unspecified amount of money to the fund, to establish the Cancer Clinical Trials Grant Program, in order to increase patient access to cancer clinical trials in specified populations. The bill would require that grant money be used for designated purposes, and would also require grant recipients to report to the board. The bill would require the board to report to the Legislature, as specified. This bill would make related findings.

~~Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law authorizes a board to suspend or revoke a license on the ground that the licensee has been convicted of a crime, if the crime is substantially related to the qualifications, functions, or duties of the business or profession for which the license was issued. Existing law requires the board, upon suspension or revocation of a license, to provide the ex-licensee with certain information pertaining to rehabilitation, reinstatement, or reduction of penalty, as specified.~~

~~This bill would require the board to provide that information through first-class mail and by email if the board has an email address on file for the ex-licensee.~~

Vote: majority. Appropriation: ~~no~~ yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. *The Legislature finds and declares the following:*
- 2 (a) *Almost 50 percent of clinical trial studies are not finished*
- 3 *in time due to low patient participation, recruitment and navigation*
- 4 *difficulties, and other barriers for patients. Due to economic and*
- 5 *socioeconomic circumstances and lack of patient knowledge,*
- 6 *clinical oncology trial participation and retention are both very*
- 7 *low as they relate to eligible participants.*
- 8 (b) *Overall, only 3 percent of eligible cancer patients participate*
- 9 *in clinical trials, and of those only 5 percent of trial participants*
- 10 *are from racial or ethnic minority communities.*
- 11 (c) *One barrier that prevents patients from participating in*
- 12 *federal Food and Drug Administration clinical trials is finances.*
- 13 *Patients of low to moderate income are often unable to bear the*
- 14 *burden of the ancillary costs of participating, such as airfare,*
- 15 *lodging, rental cars, and fuel.*

1 (d) *The American Medical Association conducted a study on*
2 *cancer trial participation. The study found that from 1996 to 2002,*
3 *of the 75,215 patients enrolled in the National Cancer Institute*
4 *trials for breast, lung, colorectal, and prostate cancers, only 3.1*
5 *percent were Hispanic, 9.2 percent were Black, and 1.9 percent*
6 *were Asian or Pacific Islanders, while 85.6 percent were White.*
7 *This lack of diversity is alarming because of its impact on*
8 *researchers' ability to evaluate the effect of new treatments on*
9 *different populations. It also speaks to a lack of access to*
10 *potentially lifesaving trials for a large portion of the population.*

11 (e) *It is the intent of the Legislature to establish a program to*
12 *enable willing patients of low to moderate income to participate*
13 *in cancer clinical trials in order to boost participation rates, ensure*
14 *these trials are widely accessible, improve the development of*
15 *cancer therapies, and enhance innovation.*

16 SEC. 2. *Chapter 2 (commencing with Section 101990) is added*
17 *to Part 6 of Division 101 of the Health and Safety Code, to read:*

18
19 *CHAPTER 2. CANCER CLINICAL TRIALS*

20
21 101990. (a) *“Board” means the Board of Trustees of the*
22 *Cancer Clinical Trials Foundation.*

23 (b) *“Foundation” means the Cancer Clinical Trials Foundation.*

24 (c) *“Fund” means the Cancer Clinical Trials Fund.*

25 101991. (a) *The agency shall establish a nonprofit public*
26 *benefit corporation, to be known as the Cancer Clinical Trials*
27 *Foundation, that shall be governed by a board consisting of a total*
28 *of five members. Three members shall be appointed by the*
29 *Governor. Of these members, one shall be from a public cancer*
30 *research institution, and one shall be from a private cancer*
31 *research institution. One member shall be appointed by the Speaker*
32 *of the Assembly. One member shall be appointed by the President*
33 *pro Tempore of the Senate.*

34 (b) *The Governor shall appoint the president of the board from*
35 *among those members appointed by the Governor, the Speaker of*
36 *the Assembly, and the President pro Tempore of the Senate.*

37 (c) *Members of the board shall serve without compensation but*
38 *shall be reimbursed for any actual and necessary expenses incurred*
39 *in connection with their duties as members of the board.*

1 (d) The foundation shall be subject to the Nonprofit Public
2 Benefit Corporation Law (Part 2 (commencing with Section 5110)
3 of Division 2 of Title 2 of the Corporations Code), except that if
4 there is a conflict with this chapter and the Nonprofit Public Benefit
5 Corporation Law, this chapter shall prevail.

6 (e) The California Health and Human Services Agency shall
7 determine which department in the agency shall administer the
8 foundation.

9 101992. (a) Of the members of the board first appointed by
10 the Governor pursuant to Section 101991, one member shall be
11 appointed to serve a two-year term, one member shall be appointed
12 to serve a three-year term, and one member shall be appointed to
13 serve a four-year term.

14 (b) Of the members of the board first appointed by the Speaker
15 of the Assembly and the President pro Tempore of the Senate
16 pursuant to Section 101991, each member shall be appointed to
17 serve a four-year term.

18 (c) Upon the expiration of the initial appointments for the board,
19 each member shall be appointed to serve a four-year term.

20 101993. (a) There is hereby created the Cancer Clinical Trials
21 Fund. Notwithstanding Section 13340 of the Government Code,
22 all money in the fund is continuously appropriated to the board
23 without regard to fiscal years, for the administration and support
24 of the program created pursuant to this chapter.

25 (b) The Cancer Clinical Trials Foundation may solicit and
26 receive funds from business, industry, foundations, and other
27 private and public sources for the purpose of administering the
28 Cancer Clinical Trials Grant Program to increase patient access
29 to cancer clinical trials.

30 (c) The board shall use no more than 20 percent of funds made
31 available for the Cancer Clinical Trials Grant Program for
32 administrative costs.

33 101994. (a) Upon contribution of an unspecified amount of
34 moneys to the foundation, the board shall establish the Cancer
35 Clinical Trials Grant Program to increase patient access to cancer
36 clinical trials in underserved or disadvantaged communities and
37 populations, including among women and patients from racial
38 and ethnic minority communities. The board shall determine the
39 criteria to award grants, and may award grants to either or both
40 of the following:

1 (1) *Public and private research institutions and hospitals that*
2 *conduct cancer clinical trials approved by the federal Food and*
3 *Drug Administration.*

4 (2) *Nonprofit organizations described in Section 501(c)(3) of*
5 *the Internal Revenue Code of 1954 that are exempt from income*
6 *tax under Section 501(a) of that code and that specialize in direct*
7 *patient support for improved clinical trial enrollment and retention.*

8 (b) *Grants awarded pursuant to subdivision (a) shall be used*
9 *for activities to increase patient access to cancer clinical trials,*
10 *including, but not limited to, any of the following:*

11 (1) *Patient navigator services or programs.*

12 (2) *Education and community outreach.*

13 (3) *Patient-friendly technical tools to assist patients in*
14 *identifying available clinical trials.*

15 (4) *Translation and interpretation services of clinical trial*
16 *information.*

17 (5) *Counseling services for clinical trial participants.*

18 (6) *Well-being services for clinical trial participants, including,*
19 *but not limited to, physical therapy, pain management, stress*
20 *management, and nutrition management.*

21 (7) *Payment of ancillary costs for patients and caregivers,*
22 *including, but not limited to:*

23 (A) *Airfare during the clinical trial.*

24 (B) *Lodging during the clinical trial.*

25 (C) *Rental cars during the clinical trial.*

26 (D) *Fuel during the clinical trial.*

27 (E) *Local transportation via bus, train, or other public*
28 *transportation during the clinical trial.*

29 (F) *Meals during the clinical trial.*

30 (G) *Child care costs during the clinical trial.*

31 101995. (a) *Grant recipients shall report to the board to ensure*
32 *the appropriate use of funds within one year of receiving a grant.*

33 (b) (1) *The board shall report to the Legislature to ensure the*
34 *appropriate use of the funds. The report shall include*
35 *accountability measures, including, but not limited to, a description*
36 *of how the funds were used, an evaluation of the grant program,*
37 *and recommendations for the program. This report shall be*
38 *submitted by January 1, 2020.*

1 (2) *The requirement for submitting a report imposed under*
2 *paragraph (1) is inoperative on January, 1, 2024, pursuant to*
3 *Section 10231.5 of the Government Code.*

4 SECTION 1. Section 491 of the Business and Professions Code
5 is amended to read:

6 491. ~~(a) Upon suspension or revocation of a license by a board~~
7 ~~on one or more of the grounds specified in Section 490, the board~~
8 ~~shall:~~

9 ~~(1) Send a copy of the provisions of Section 11522 of the~~
10 ~~Government Code to the ex-licensee.~~

11 ~~(2) Send a copy of the criteria relating to rehabilitation~~
12 ~~formulated under Section 482 to the ex-licensee.~~

13 ~~(b) Subdivision (a) shall be satisfied through first-class mail~~
14 ~~and by email if the board has an email address on file for the~~
15 ~~ex-licensee.~~

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LC Item III.E.
 July 23, 2015

CBA Item X.A.3.e.
 July 22-23, 2015

CALIFORNIA BOARD OF ACCOUNTANCY LEGISLATIVE ANALYSIS
SB 8

Subject:	Taxation	Version	2/10/15
Author:	Hertzberg	Status:	Two-year bill
Sponsor:	Author		
CBA Position:	Watch		

Action(s) Needed

There is no specific action needed on this item. This is a two-year bill that has had no change in status or impact on the California Board of Accountancy (CBA) since its last meeting.

Summary

Senate Bill (SB) 8 would update California's tax system to include taxes on information and services, including accounting and tax preparation fees. The bill also considers changes to corporate taxes that enhance the business climate to incentivize entrepreneurship. Finally, SB 8 would examine the impacts of reduced and simplified personal income taxes.

Background

At its March meeting, the CBA took a Watch position on this bill. On May 15, 2015, SB 8 failed the Senate policy committee deadline and became a two-year bill.¹

According to author's office, SB 8 seeks to repair California's failed tax system to keep up with an economy that has evolved over the years from an agricultural and manufacturing-based economy to a services-based economy. State tax revenues have become more reliant on personal income tax, especially those of its top earners, leading to dramatic revenue swings. As a result, services like health care and child care for low-income families faced budget cuts at a time when they were most needed (during the recession). In addition, the state cut billions of dollars to education, including adult vocational and literacy education, and infrastructure.

¹ A bill that is "dead," "stalled," or "held," or simply "not moved" by the author in the first year of a two-year session and cannot be heard again until the second year of the session.

Analysis

The bill would broaden the tax base by imposing a sales tax on services, including those provided by CPAs, and seeks to lower the corporate and personal income tax. The author's office estimates that this tax will raise \$10 billion annually, which would be allocated to education, local governments, and the earned income tax credits available to low income earners. Presently, this bill does not contain a provision that would allocate any additional revenue to enhance the protection of the public.

Fiscal Estimate

Staff has completed an analysis and has not identified a fiscal impact on the CBA.

Recommendation

Considering this bill remains active for the 2015-16 legislative year, staff recommend that the CBA maintain its current Watch position.

Support/Opposition

Support: None at this time.

Opposition: None at this time.

Effective/Operative Date

January 1, 2017

Attachment

SB 8

AMENDED IN SENATE FEBRUARY 10, 2015

SENATE BILL**No. 8****Introduced by Senator Hertzberg**

December 1, 2014

An act to add Chapter 3.8 (commencing with Section 6305) to Part 1 of Division 2 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 8, as amended, Hertzberg. Taxation.

The Sales and Use Tax Law imposes a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state. The Personal Income Tax Law imposes taxes on personal taxable income at specified rates, and the Corporation Tax Law imposes taxes upon, or measured by, corporate income.

This bill would state legislative findings regarding the Upward Mobility Act, key provisions of which would expand the application of the Sales and Use Tax law by imposing a tax on specified services, would enhance the state's business climate—and, would incentivize entrepreneurship and business creation by evaluating the ~~Corporate Tax Law~~, *corporate tax*, and would examine the impacts of a lower and simpler ~~Personal Income Tax Law~~. *personal income tax*.

This bill would, on and after January 1, ____, expand the Sales and Use Tax Law to impose a tax on the gross receipts from the sale in this state of, or the receipt of the benefit in this state of services at a rate of ____%.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) California has long been known as the land of opportunity,
4 the republic of the future. But for too many of its residents the
5 future is receding. Inequality continues to rise — even though
6 California has one of the most progressive tax structures in the
7 nation.

8 (b) Something more is needed; a new philosophy of governance
9 that focuses on the overall progressive outcome that can be
10 achieved through modernizing our tax system and investing in the
11 means of upward mobility, above all job creating infrastructure
12 and public higher education for our increasingly youthful
13 population.

14 (c) Beyond these foundations, building and sustaining a middle
15 class means new jobs with good wages. Small businesses, like
16 plumbing contractors, auto repair shops, and restaurants that
17 account for over 90 percent of the state’s businesses and well over
18 a third of all jobs, are a key rung on the ladder of upward mobility.
19 They need a tax policy that will enable them to grow and add
20 employees.

21 (d) California’s two trillion dollar economy has shifted from
22 being mainly agricultural and manufacturing in the 1950s and
23 1960s, when the framework of today’s tax system was set, to one
24 based on information and services, which now accounts for 80
25 percent of all economic activities in the state. To achieve a future
26 as promising as California’s past, we need a tax system that is
27 based on this real economy of the 21st century while ensuring that
28 new revenue is invested in strengthening the ladder of mobility
29 for all our residents.

30 (e) California of the 1950s and 1960s was governed with an eye
31 towards the future and was renowned for the opportunities that it
32 created for its residents. California’s water system was born during
33 that era and transformed the desert into fertile agricultural land
34 that not only fed Californians but the world. California also
35 constructed its freeway system to more rapidly and safely move

1 people and goods through the state as California became the
2 gateway to the Pacific Rim. California's higher education system
3 was the envy of all, reaching new heights as the University of
4 California and the California State University grew by six and
5 eight campuses respectively between 1958 and 1965. California's
6 investment in infrastructure and education paid off as agriculture,
7 aerospace, and then technology boomed and drove California into
8 the 21st century as the fifth largest economy in the world. As
9 businesses thrived, they created an abundance of middle class jobs
10 that enabled Californians to capitalize on new opportunities to
11 better the standard of living for themselves and their families.

12 (f) As California's economy thrived, however, its eye on the
13 future wavered. By the late 1970s, state and local finances became
14 intertwined; the state increasingly used its funds to support
15 traditionally local operations and both state and local governments
16 pulled back on the types of investments needed to help businesses
17 and residents succeed. Today, Californians live with the
18 investments made more than three generations ago. Fifty-five
19 percent of our local streets need to be repaired or replaced. While
20 the state's water system received some funding in 2014, more is
21 needed to meet the state's demands.

22 (g) On a local level, 70 percent of Los Angeles' water
23 infrastructure is composed of cast-iron pipes, most of which was
24 laid during the early half of the 20th century.

25 (h) Our financial commitment to kindergarten and grades 1 to
26 12, inclusive, education has waned. Average Daily Attendance
27 grew anemically by 0.06 percent annually between 2007 and 2011.
28 By 2011, California ranked 43rd in per pupil spending and
29 California's ADA was \$2,580 less than the United States average
30 — the largest gap in 40 years.

31 (i) California's commitment to higher education has also
32 receded. In addition to opening professional and economic
33 doorways for students, California's higher education system is one
34 of our most important economic engines. With almost 60 faculty
35 and researchers who have won the Nobel prize, the University of
36 California has over 3,200 active patents and contributes \$33 billion
37 to the California economy annually. The California State University
38 generates an additional \$17 billion in economic activity and
39 supports 150,000 jobs in the state. Despite its proven value,
40 California has not been able to maintain higher education

1 accessibility for its residents. In the past 20 years, University of
2 California fees have increased by 434 percent and California State
3 University fees by 300 percent. Moreover, California community
4 colleges, the largest provider of workforce training in the nation,
5 increased fees by 130 percent between 2008 and 2012, leading to
6 over a 20 percent decline in enrollment.

7 (j) The lack of investment in infrastructure and education has
8 diminished opportunities for Californians and continues to fuel
9 the growing income inequality in California. Since 1970, the
10 poorest 20 percent of Californians have seen their household
11 income grow by just 3.1 percent while the income of the richest
12 20 percent has climbed 74.6 percent. Since 1987, 71.3 percent of
13 all the gains generated by California's economy have gone to the
14 state's wealthiest 10 percent. Moreover, today, California accounts
15 for three of the 10 American cities with the greatest disparities in
16 wealth—San Francisco, Oakland, and Los Angeles.

17 (k) (1) The Upward Mobility Act would help ensure California's
18 residents and businesses can thrive in the 21st century global
19 economy by increasing funding by \$10 billion dollars for the
20 following programs, as the revenue becomes available:

21 (A) Three billion dollars to K-14 education. Investing in its
22 residents through education is the foundation on which California
23 has always built its economy. This measure would provide new
24 funds to help rebuild California's education system at every level.
25 The new revenues will help to rebuild classrooms and be available
26 to help protect classroom spending from pending pension fund
27 demands.

28 (B) Two billion dollars to the University of California and the
29 California State University. Similarly, the measure would restore
30 investment in California's prized higher education system, essential
31 to upward mobility for Californians. Revenues would be split
32 evenly between the University of California and the California
33 State University.

34 (C) Three billion dollars to local governments. Investing in local
35 governments will more closely connect Californians to the
36 government spending that occurs on their behalf and support the
37 new realignment burdens on local government. Moreover,
38 additional guaranteed funding to provide additional public safety,
39 parks, libraries, or local development, will allow local governments
40 to best meet the specific needs of their particular communities.

1 (D) Two billion *dollars* for a new earned income tax credit for
2 low-income families. The Upward Mobility Act would establish
3 a refundable earned income tax credit to help low-income families
4 offset the burden of the proposed sales and use tax on services.

5 (E) Small business and minimum wage relief. This measure
6 would enhance the state's business climate, create jobs, and
7 incentivize entrepreneurship by evaluating the current corporate
8 income tax to determine whether it is meeting its intended purpose
9 while at the same time linking changes to a more reasonable
10 minimum wage.

11 (2) Because this funding would be guaranteed, school districts,
12 community colleges, the California State University, the University
13 of California, and local governments would be able to securitize
14 the revenues to make essential long-term investments, just as is
15 the case with real property taxes.

16 (l) The Upward Mobility Act will fund these programs to enable
17 the upward mobility of our residents and to help make California's
18 businesses more competitive by modernizing our tax code. The
19 underlying problem is, while California's economy has evolved,
20 its tax system failed to keep up with the times. Over the past 60
21 years, California has moved from an agriculture and manufacturing
22 based economy to a services based economy. As a result, state tax
23 revenues have become less reliant on revenues derived from the
24 Sales and Use Tax on goods and more reliant on revenues derived
25 from the Personal Income Tax. In 1950, the Sales and Use Tax
26 comprised 61 percent of all state revenues; today, it accounts for
27 about 30 percent. The Personal Income Tax accounted for 12
28 percent of total state revenues in 1950; today, it accounts for more
29 than 60 percent.

30 (m) Moreover, California's General Fund tax collections are
31 heavily dependent on the earnings of its top earners. This has led
32 to dramatic revenue swings year over year. During the dot-com
33 economic boom of the ~~1950s~~ 1990s through the early part of the
34 21st century, state revenues soared by as much as 20 percent in a
35 single year. However, as personal incomes tumbled during the
36 Great Recession, state revenues plummeted disproportionately.
37 These swings in revenue have led to the suffering of California's
38 residents. Essential services, such as health care and child care for
39 low-income families, were cut at a time when they were needed
40 most. In addition, the state cut billions of dollars to education,

1 including adult vocational and literacy education, which could
2 have helped low-income families recover from the recession.
3 Relying on the wealthiest taxpayers to support California's needs
4 is outdated and dangerous fiscal policy. Not only does it increase
5 the uncertainty of tax collections, but there is evidence that
6 California's high tax rates may be driving high income earners out
7 of the state, which only deepens revenue shortfalls.

8 (n) The economy has shifted away from the production of goods
9 to services. Since 1966 sales of taxable goods, as a share of the
10 economy, have been cut in half. Today services represent 80
11 percent of California's economy. Expanding the Sales and Use
12 Tax to cover services removes a significant inequitable aspect of
13 the tax code, implicitly favoring consumer spending on services
14 over goods. Currently the sale of a TurboTax software disk is
15 taxed, whereas a consumer who instead paid H&R Block would
16 escape taxation. In essence, those who produce goods such as
17 software or machinery are supporting those who produce services
18 and information. Taxing only goods and not services when our
19 economy has been so fundamentally transformed makes no sense
20 and is manifestly unfair. This has to change.

21 (o) The Upward Mobility Act seeks to make three broad changes
22 to the tax code:

23 (1) Broaden the tax base by imposing a sales tax on services to
24 increase revenues. Local jurisdictions would not be authorized to
25 increase sales tax on services, as they now can do with the sales
26 tax on goods. Though the new revenues would be collected by the
27 state, the ownership of those funds allocated to local government
28 under this measure will be controlled by local government using
29 traditional allocation mechanisms. Health care services and
30 education services would be exempted from the tax, and very small
31 businesses with under \$100,000 gross sales would be exempted
32 from the sales tax on services.

33 (2) Enhance the state's business climate and incentivize
34 entrepreneurship and business creation by evaluating the corporate
35 income tax to determine whether it is meeting its intended
36 purposes, including whether it is ~~born~~ *borne* equitably among
37 California's businesses and what impact it has on the business
38 climate, while at the same time linking changes to a more
39 reasonable minimum wage.

1 (3) Examine the impacts of lowering and simplifying the
 2 ~~Personal Income Tax~~ *personal income tax* while maintaining
 3 progressivity. The measure’s goal is to reduce the ~~income tax rates~~
 4 ~~imposed under the Personal Income Tax~~ *personal income tax rates*
 5 for low-and middle-class-income households so that families
 6 earning \$100,000 pay only \$1,000. The income tax rate for top
 7 earners may also be reduced in a manner that balances fairness
 8 with mitigating adverse impact to both state revenues and
 9 competitiveness. The obligation of top earners with regard to other
 10 tax obligations for top earners, including Proposition 63, would
 11 remain intact.

12 (p) In order to ensure fiscal responsibility, the Upward Mobility
 13 Act’s revenue reduction provisions would be phased in only when
 14 it is clear that new revenues are sufficient to replace any revisions
 15 to the personal income tax and corporate tax.

16 (q) As the revenues secured by Proposition 30 expire, California
 17 policy decisionmakers must determine new long term ways to
 18 provide for state residents. The Upward Mobility Act will increase
 19 opportunities for California’s businesses and create an upward
 20 mobility ladder for California residents. Moreover, the Upward
 21 Mobility Act will realign the state’s outdated tax code with the
 22 realities of California’s 21st century economy.

23 *SEC. 2. Chapter 3.8 (commencing with Section 6305) is added*
 24 *to Part 1 of Division 2 of the Revenue and Taxation Code, to read:*

25
 26 *CHAPTER 3.8. SERVICES*

27
 28 *6305. In addition to the taxes imposed by this part, for the*
 29 *privilege of selling services at retail a tax is hereby imposed upon*
 30 *all retailers at the rate of ____ percent of the gross receipts of any*
 31 *retailer from the sale of all services sold at retail in this state on*
 32 *or after January 1, ____.*

33 *6306. In addition to the taxes imposed by this part an excise*
 34 *tax is hereby imposed on the receipt of the benefit of the service*
 35 *in this state of services on or after January 1, ____, at the rate*
 36 *specified in Section 6305 of the sales price of the services.*



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LC Item III.F.
 July 23, 2015

CBA Item X.A.3.f
 July 22-23, 2015

CALIFORNIA BOARD OF ACCOUNTANCY LEGISLATIVE ANALYSIS SB 467

Subject:	CBA's Sunset Review Bill	Version	6/29/15
Author:	Hill	Status:	Assembly B&P
Sponsor:	Author		
CBA Position:	Support of the CBA's sunset review extension date, allowing permanent practice restrictions, and the Attorney General's Office reporting requirement.		

Action(s) Needed

There is no specific action needed on this item. Amendments to this bill did not have a significant change in status or impact on the California Board of Accountancy (CBA).

Summary

SB 467 (**Attachment 1**) would extend the CBA's sunset review date from January 1, 2016 to January 1, 2020 and would allow the CBA to include permanent practice restrictions as part of a final disciplinary order.

Secondly, this bill would require the Department of Consumer Affairs (DCA) to receive approval from the Legislature to levy pro rata charges against any of its various boards and bureaus for estimated administrative expenses of the DCA.

Thirdly, this bill would require the Attorney General's (AG) Office to submit a report to DCA, Governor, and the appropriate policy committees of the Legislature that includes specific statistical information regarding cases referred to the AG's Office by each constituent entity comprising the DCA and its Division of Investigation (DOI).

Finally, this bill would require that the DCA Director, through the DOI, work cooperatively with the health care boards to standardize referral of complaints to the DOI and those that are retained by the health care boards for investigation.

Amendments

Since the CBA's last meeting, the following amendments were made to the bill:

- 1) Requires that the AG's Office submit the report on or before January 1, 2018, rather than January 1, 2017.

- 2) Added the following items to the reporting requirement:
 - a. The number of accusation matters adjudicated by the AG.
 - b. Clarifies that the reporting requirements related to accusation matters shall be within the previous fiscal year for each constituent entity.
 - c. Other clarifying and non-substantive amendments to the AG Office's various reporting requirements.
- 3) Deleted the requirement for the Director, through DOI, to work cooperatively with health care boards to standardize the referral of complaints and clarified that the "Consumer Protection Enforcement Initiative of 2010" shall be implemented for boards to utilize in prioritizing their respective complaint and investigative workloads. This amendment is not related to the CBA, and remains specific to health care boards.
- 4) Added the following items specific to the Contractors State Licensing Board (CSLB):
 - a. Extend the CSLB's sunset date from January 1, 2016 to January 1, 2020.
 - b. In the Contractors State License Law, would repeal the evidence of financial solvency requirement and would raise the contractor bond requirement from \$12,500 to \$15,000.

Background

At its May meeting, the CBA revised its previous support position in response to amendments made in April. The CBA's revised support position includes support of the CBA's sunset review extension, permanent practice restrictions, and the reporting requirement related to the AG's Office. The CBA chose not to take a position on the pro rata portion of the bill until further information is released regarding how pro rata is calculated, which is scheduled for July 1, 2015.

Analysis

The CBA plays a vital consumer protection role by regulating the practice of public accountancy, which includes both licensing and enforcement functions of more than 98,000 licensees. Every four years, the Legislature performs what is known as a "sunset review" on the CBA, as well as other various boards within the DCA, to evaluate and discuss its value, performance, and to make recommendations for improvement. This process not only provides valuable dialogue between the CBA and the Legislature, but also promotes public participation and input regarding the CBA. Extending the CBA's sunset review date to January 1, 2020, will allow the CBA to continue to serve and protect California consumers.

As for permanent practice restrictions, current law allows the CBA to revoke, suspend, or refuse to renew any permit or certificate, or censure the holder of that permit or certificate due to unprofessional conduct. This provision does not presently allow the CBA, and Administrative Law Judges, the authority to consider including permanent practice restrictions. Currently, practice restrictions may only be imposed beyond the probationary term when specifically agreed to by the licensee via a stipulated settlement.

Some circumstances may warrant permanent practice restrictions in order to protect the public; however, if the licensee is unwilling to agree to such terms via a stipulated settlement, the only recourse for the CBA is to seek revocation of the license. These changes would provide an additional tool to the CBA in its mission to protect consumers.

This proposal would add Business and Professions Code (BPC) section 5100.5 to allow the CBA to include permanent practice restrictions as part of a disciplinary order, while still permitting the licensee to retain a license to practice in such areas where competency is not compromised.

As for the additional items in the bill, the first is related to the DCA's pro rata calculations. Through its divisions, the DCA provides centralized administrative services to all boards and funds all the DCA operations. Most of these services are funded through a pro rata calculation that is based on "position counts." Other functions (call center services, complaint resolution, and correspondence unit) are based on prior year workload. In fiscal year (FY) 2013-14, the CBA paid \$1.4 million in pro rata to DCA. This bill would require that pro rata be approved by the Legislature, rather than at the discretion of DCA and the Department of Finance.

To allow for better understanding of how these assessments are calculated, BPC section 201 requires that the DCA submit a report to the Legislature by July 1, 2015, and on or before July 1 of each subsequent year, to provide the accounting of the pro rata calculation of administrative expenses charged to its various boards and bureaus. CBA staff is presently working to obtain a copy of the report, which will be provided to members under separate cover once obtained.

The second provision would require the AG's Office to submit an annual report to the Governor, DCA, and Legislature to include specific statistical information regarding cases referred to the AG's Office by each constituent entity, including the CBA. This requirement would increase government transparency and may be helpful to the CBA when evaluating its progress in meeting its performance measure related to formal discipline.

The final provision of the bill does not have an impact on the CBA, and is specific to health care boards. It would require health care boards to standardize referral of complaints to DOI and those that are retained by health care boards for investigation.

As for the items specific to the CSLB, considering that these changes do not have an impact on the CBA, staff has not performed an analysis on these amendments.

Fiscal Estimate

Fiscal impacts associated with extending the CBA's sunset review date and allowing permanent practice restrictions are minor and absorbable by the CBA.

The AG's Office reported to the Senate Committee on Appropriations that it would experience significant workload impacts as a result of this bill, and would incur staffing costs of \$911,000 in FY 2015-16 and approximately \$1.53 million ongoing, as well as an 18-month contract for external consulting resources of approximately \$805,000.

Lastly, the DCA indicates that any costs related to provisions requiring complaint standardization among the healing arts boards would be minor.

Recommendation

Staff recommend that the CBA maintain its current Support position.

Support/Opposition

Support: California Board of Accountancy
California Society of Certified Public Accountants

Opposition: None at this time.

Effective/Operative Date

January 1, 2016

Attachments

1. SB 467
2. CBA Letters of Support

AMENDED IN ASSEMBLY JULY 1, 2015
AMENDED IN ASSEMBLY JUNE 29, 2015
AMENDED IN SENATE APRIL 21, 2015

SENATE BILL

No. 467

Introduced by Senator Hill

February 25, 2015

An act to amend Sections 201, 5000, ~~and 5015.6~~ 5015.6, 7000.5, 7011, and 7071.6 of, ~~and~~ to add Sections 312.2, 328, and 5100.5 to, *and to repeal Section 7067.5 of*, the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

SB 467, as amended, Hill. Professions and vocations.

Existing law provides for the licensure and regulation of various professions and vocations by boards, bureaus, commissions, divisions, and other agencies within the Department of Consumer Affairs. Existing law authorizes the department to levy a pro rata share of the department's administrative expenses against any of these constituent agencies at the discretion of the Director of Consumer Affairs and with the approval of the Department of Finance.

This bill would eliminate the requirement that the levy described above be at the discretion of the Director of Consumer Affairs and with the approval of the Department of Finance, and would instead require the levy to be approved by the Legislature.

Existing law requires an agency within the department to investigate a consumer accusation or complaint against a licensee and, where appropriate, the agency is authorized to impose disciplinary action against a licensee. Under existing law, an agency within the department

may refer a complaint to the Attorney General or Office of Administrative Hearings for further action.

This bill would require the Attorney General to submit a report to the department, the Governor, and the appropriate policy committees of the Legislature, on or before January 1, 2018, and on or before January 1 of each subsequent year, that includes specified information regarding the actions taken by the Attorney General pertaining to accusation matters relating to consumer complaints against a person whose profession or vocation is licensed by an agency within the department.

Existing law creates the Division of Investigation within the department and requires investigators who have the authority of peace officers to be in the division to investigate the laws administered by the various boards comprising the department or commencing directly or indirectly any criminal prosecution arising from any investigation conducted under these laws.

This bill would, in order to implement the Consumer Protection Enforcement Initiative of 2010, require the Director of Consumer Affairs, through the Division of Investigation, to implement “Complaint Prioritization Guidelines” for boards to utilize in prioritizing their complaint and investigative workloads and to determine the referral of complaints to the division and those that are retained by the health care boards for investigation.

Under existing law, the California Board of Accountancy within the department is responsible for the licensure and regulation of accountants and is required to designate an executive officer. Existing law repeals these provisions on January 1, 2016.

This bill would extend the repeal date to January 1, 2020.

Existing law authorizes the California Board of Accountancy, after notice and hearing, to revoke, suspend, or refuse to renew any permit or certificate, as specified, or to censure the holder of that permit or certificate for unprofessional conduct.

This bill would additionally authorize the board, after notice and hearing, to permanently restrict or limit the practice of a licensee or impose a probationary term or condition on a licence for unprofessional conduct. This bill would authorize a licensee to petition the board for reduction of penalty or reinstatement of the privilege, as specified, and would provide that failure to comply with any restriction or limitation imposed by the board is grounds for revocation of the license.

Under existing law, the Contractors’ State License Law, the Contractors’ State License Board is responsible for the licensure and

regulation of contractors and is required to appoint a registrar of contractors. Existing law repeals these provisions establishing the board and requiring it to appoint a registrar on January 1, 2016.

This bill would extend these repeal dates to January 1, 2020.

Existing law requires every applicant for an original license, the reactivation of an inactive license, or the reissuance or reinstatement of a revoked license to evidence financial solvency, as specified, and requires the registrar to deny the application of any applicant who fails to comply with that requirement. Existing law, as a condition precedent to the issuance, reinstatement, reactivation, renewal, or continued maintenance of a license, requires the applicant or licensee to file or have on file a contractor’s bond in the sum of \$12,500.

This bill would repeal that evidence of financial solvency requirement and would instead require that bond to be in the sum of \$15,000.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 201 of the Business and Professions Code
2 is amended to read:

3 201. (a) (1) A charge for the estimated administrative expenses
4 of the department, not to exceed the available balance in any
5 appropriation for any one fiscal year, may be levied in advance on
6 a pro rata share basis against any of the boards, bureaus,
7 commissions, divisions, and agencies, with the approval of the
8 Legislature.

9 (2) The department shall submit a report of the accounting of
10 the pro rata calculation of administrative expenses to the
11 appropriate policy committees of the Legislature on or before July
12 1, 2015, and on or before July 1 of each subsequent year.

13 (b) The department shall conduct a one-time study of its current
14 system for prorating administrative expenses to determine if that
15 system is the most productive, efficient, and cost-effective manner
16 for the department and the agencies comprising the department.
17 The study shall include consideration of whether some of the
18 administrative services offered by the department should be
19 outsourced or charged on an as-needed basis and whether the
20 agencies should be permitted to elect not to receive and be charged
21 for certain administrative services. The department shall include

1 the findings in its report pursuant to paragraph (2) of subdivision
2 (a) that it is required to submit on or before July 1, 2015.

3 SEC. 2. Section 312.2 is added to the Business and Professions
4 Code, to read:

5 312.2. (a) The Attorney General shall submit a report to the
6 department, the Governor, and the appropriate policy committees
7 of the Legislature on or before January 1, 2018, and on or before
8 January 1 of each subsequent year that includes, at a minimum,
9 all of the following for the previous fiscal year for each constituent
10 entity within the department represented by the Licensing Section
11 and Health Quality Enforcement Section of the Office of the
12 Attorney General:

13 (1) The number of accusation matters referred to the Attorney
14 General.

15 (2) The number of accusation matters rejected for filing by the
16 Attorney General.

17 (3) The number of accusation matters for which further
18 investigation was requested by the Attorney General.

19 (4) The number of accusation matters for which further
20 investigation was received by the Attorney General.

21 (5) The number of accusations filed by each constituent entity.

22 (6) The number of accusations a constituent entity withdraws.

23 (7) The number of accusation matters adjudicated by the
24 Attorney General.

25 (b) The Attorney General shall also report all of the following
26 for accusation matters adjudicated within the previous fiscal year
27 for each constituent entity of the department represented by the
28 Licensing Section and Health Quality Enforcement Section:

29 (1) The average number of days from the Attorney General
30 receiving an accusation referral to when an accusation is filed by
31 the constituent entity.

32 (2) The average number of days to prepare an accusation for a
33 case that is rereferred to the Attorney General after further
34 investigation is received by the Attorney General from a constituent
35 entity or the Division of Investigation.

36 (3) The average number of days from an agency filing an
37 accusation to the Attorney General transmitting a stipulated
38 settlement to the constituent entity.

1 (4) The average number of days from an agency filing an
2 accusation to the Attorney General transmitting a default decision
3 to the constituent entity.

4 (5) The average number of days from an agency filing an
5 accusation to the Attorney General requesting a hearing date from
6 the Office of Administrative Hearings.

7 (6) The average number of days from the Attorney General’s
8 receipt of a hearing date from the Office of Administrative
9 Hearings to the commencement of a hearing.

10 (c) A report to be submitted pursuant to subdivision (a) shall
11 be submitted in compliance with Section 9795 of the Government
12 Code.

13 SEC. 3. Section 328 is added to the Business and Professions
14 Code, to read:

15 328. In order to implement the Consumer Protection
16 Enforcement Initiative of 2010, the director, through the Division
17 of Investigation, shall implement “Complaint Prioritization
18 Guidelines” for boards to utilize in prioritizing their respective
19 complaint and investigative workloads. The guidelines shall be
20 used to determine the referral of complaints to the division and
21 those that are retained by the health care boards for investigation.

22 SEC. 4. Section 5000 of the Business and Professions Code is
23 amended to read:

24 5000. (a) There is in the Department of Consumer Affairs the
25 California Board of Accountancy, which consists of 15 members,
26 7 of whom shall be licensees, and 8 of whom shall be public
27 members who shall not be licentiates of the board or registered by
28 the board. The board has the powers and duties conferred by this
29 chapter.

30 (b) The Governor shall appoint four of the public members, and
31 the seven licensee members as provided in this section. The Senate
32 Committee on Rules and the Speaker of the Assembly shall each
33 appoint two public members. In appointing the seven licensee
34 members, the Governor shall appoint individuals representing a
35 cross section of the accounting profession.

36 (c) This section shall remain in effect only until January 1, 2020,
37 and as of that date is repealed, unless a later enacted statute, that
38 is enacted before January 1, 2020, deletes or extends that date.

39 (d) Notwithstanding any other provision of law, the repeal of
40 this section renders the board subject to review by the appropriate

1 policy committees of the Legislature. However, the review of the
2 board shall be limited to reports or studies specified in this chapter
3 and those issues identified by the appropriate policy committees
4 of the Legislature and the board regarding the implementation of
5 new licensing requirements.

6 SEC. 5. Section 5015.6 of the Business and Professions Code
7 is amended to read:

8 5015.6. The board may appoint a person exempt from civil
9 service who shall be designated as an executive officer and who
10 shall exercise the powers and perform the duties delegated by the
11 board and vested in him or her by this chapter.

12 This section shall remain in effect only until January 1, 2020,
13 and as of that date is repealed, unless a later enacted statute, that
14 is enacted before January 1, 2020, deletes or extends that date.

15 SEC. 6. Section 5100.5 is added to the Business and Professions
16 Code, to read:

17 5100.5. (a) After notice and hearing the board may, for
18 unprofessional conduct, permanently restrict or limit the practice
19 of a licensee or impose a probationary term or condition on a
20 license, which prohibits the licensee from performing or engaging
21 in any of the acts or services described in Section 5051.

22 (b) A licensee may petition the board pursuant to Section 5115
23 for reduction of penalty or reinstatement of the privilege to engage
24 in the service or act restricted or limited by the board.

25 (c) The authority or sanctions provided by this section are in
26 addition to any other civil, criminal, or administrative penalties or
27 sanctions provided by law, and do not supplant, but are cumulative
28 to, other disciplinary authority, penalties, or sanctions.

29 (d) Failure to comply with any restriction or limitation imposed
30 by the board pursuant to this section is grounds for revocation of
31 the license.

32 (e) For purposes of this section, both of the following shall
33 apply:

34 (1) “Unprofessional conduct” includes, but is not limited to,
35 those grounds for discipline or denial listed in Section 5100.

36 (2) “Permanently restrict or limit the practice of” includes, but
37 is not limited to, the prohibition on engaging in or performing any
38 attestation engagement, audits, or compilations.

39 SEC. 7. Section 7000.5 of the Business and Professions Code
40 is amended to read:

1 7000.5. (a) There is in the Department of Consumer Affairs
2 a Contractors' State License Board, which consists of 15 members.

3 (b) Notwithstanding any other provision of law, the repeal of
4 this section renders the board subject to review by the appropriate
5 policy committees of the Legislature.

6 (c) This section shall remain in effect only until January 1, ~~2016,~~
7 2020, and as of that date is repealed, unless a later enacted statute,
8 that is enacted before January 1, ~~2016,~~ 2020, deletes or extends
9 that date.

10 *SEC. 8. Section 7011 of the Business and Professions Code is*
11 *amended to read:*

12 7011. (a) The board, by and with the approval of the director,
13 shall appoint a registrar of contractors and fix his or her
14 compensation.

15 (b) The registrar shall be the executive officer and secretary of
16 the board and shall carry out all of the administrative duties as
17 provided in this chapter and as delegated to him or her by the
18 board.

19 (c) For the purpose of administration of this chapter, there may
20 be appointed a deputy registrar, a chief reviewing and hearing
21 officer, and, subject to Section 159.5, other assistants and
22 subordinates as may be necessary.

23 (d) Appointments shall be made in accordance with the
24 provisions of civil service laws.

25 (e) This section shall remain in effect only until January 1, ~~2016,~~
26 2020, and as of that date is repealed, unless a later enacted statute,
27 that is enacted before January 1, ~~2016,~~ 2020, deletes or extends
28 that date.

29 *SEC. 9. Section 7067.5 of the Business and Professions Code*
30 *is repealed.*

31 ~~7067.5. Every applicant for an original license, or for the~~
32 ~~reactivation of an inactive license, or for the reissuance or~~
33 ~~reinstatement of a revoked license shall possess and every such~~
34 ~~applicant, other than one applying under Section 7029 unless~~
35 ~~required by the registrar, shall evidence financial solvency. The~~
36 ~~registrar shall deny the application of any applicant who fails to~~
37 ~~comply with this section. For purposes of this section financial~~
38 ~~solvency shall mean that the applicant's operating capital shall~~
39 ~~exceed two thousand five hundred dollars (\$2500).~~

1 The applicant shall provide answers to questions contained in a
2 standard form of questionnaire as required by the registrar relative
3 to his financial ability and condition and signed by the applicant
4 under penalty of perjury.

5 In any case in which further financial information would assist
6 the registrar in an investigation, the registrar may obtain such
7 information or may require any licensee or applicant under
8 investigation pursuant to this chapter to provide such additional
9 financial information as the registrar may deem necessary.

10 The financial information required by the registrar shall be
11 confidential and not a public record, but, where relevant, shall be
12 admissible as evidence in any administrative hearing or judicial
13 action or proceeding.

14 The registrar may destroy any financial information which has
15 been on file for a period of at least three years.

16 *SEC. 10. Section 7071.6 of the Business and Professions Code*
17 *is amended to read:*

18 7071.6. (a) The board shall require as a condition precedent
19 to the issuance, reinstatement, reactivation, renewal, or continued
20 maintenance of a license, that the applicant or licensee file or have
21 on file a contractor's bond in the sum of ~~twelve~~ *fifteen* thousand
22 ~~five hundred~~ dollars ~~(\$12,500)~~: *(\$15,000)*.

23 (b) Excluding the claims brought by the beneficiaries specified
24 in subdivision (a) of Section 7071.5, the aggregate liability of a
25 surety on claims brought against a bond required by this section
26 shall not exceed the sum of seven thousand five hundred dollars
27 (\$7,500). The bond proceeds in excess of seven thousand five
28 hundred dollars (\$7,500) shall be reserved exclusively for the
29 claims of the beneficiaries specified in subdivision (a) of Section
30 7071.5. However, nothing in this section shall be construed so as
31 to prevent any beneficiary specified in subdivision (a) of Section
32 7071.5 from claiming or recovering the full measure of the bond
33 required by this section.

34 (c) No bond shall be required of a holder of a license that has
35 been inactivated on the official records of the board during the
36 period the license is inactive.

37 (d) Notwithstanding any other ~~provision~~ of law, as a condition
38 precedent to licensure, the board may require an applicant to post
39 a contractor's bond in twice the amount required pursuant to

1 subdivision (a) until the time that the license is renewed, under the
2 following conditions:

3 (1) The applicant has either been convicted of a violation of
4 Section 7028 or has been cited pursuant to Section 7028.7.

5 (2) If the applicant has been cited pursuant to Section 7028.7,
6 the citation has been reduced to a final order of the registrar.

7 (3) The violation of Section 7028, or the basis for the citation
8 issued pursuant to Section 7028.7, constituted a substantial injury
9 to the public.

O



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June 4, 2015

Attachment 2

Assembly Business and Professions Committee
Assembly Member Susan Bonilla, Chair
State Capitol
Sacramento, CA 95814

Bill: SB 467
Position: SUPPORT

Dear Assembly Member Bonilla,

At its March 19, 2015, meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 467 with respect to the proposed language to extend the CBA's sunset date to January 1, 2020. SB 467 would also add Business and Professions Code section 5100.5 to the Accountancy Act, which would provide the CBA with the authority to include permanent practice restrictions as part of a final disciplinary order and enhance the CBA's ability to protect consumers through its enforcement functions.

On May 28, 2015, the CBA voted to include in its support position, the provision related to the statistical reporting requirement for the Attorney General's Office as it seeks to promote government transparency. As for the other portions of the bill related to the Department of Consumer Affairs, the CBA has chosen not to take a position until further information is released regarding how pro rata is calculated, which is scheduled for July 1, 2015.

The CBA plays an important role in protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. We believe it is vital for the CBA to continue regulating the practice of public accountancy, which includes both licensing and enforcement functions of more than 97,000 licensees.

On behalf of the CBA, I would like to express the CBA's support of these changes.

Sincerely,

A handwritten signature in black ink that reads 'Jose A. Campos'.

Jose A. Campos, CPA
President

c: Senator Jerry Hill, Chair, Senate Business, Professions and Economic Development Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer



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May 21, 2015

Senate Committee on Appropriations
Honorable Ricardo Lara, Chair
The State Capitol
Sacramento, California 95814

Bill: SB 467
Position: SUPPORT

Dear Senator Lara,

I would like to thank the Senate Committee on Appropriations for its recent consideration of Senate Bill (SB) 467, introduced by Senator Jerry Hill, which contains a provision to extend the California Board of Accountancy's (CBA) sunset date from January 1, 2016 to January 1, 2020.

The CBA plays an important role in protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. We believe it is vital for the CBA to continue regulating the practice of public accountancy, which includes both licensing and enforcement functions of more than 97,000 licensees.

SB 467 also would add Business and Professions Code section 5100.5 to the Accountancy Act, which would provide the CBA with the authority to include permanent practice restrictions as part of a final disciplinary order. These changes would create minimal fiscal impacts and are absorbable by the CBA.

For these reasons, I respectfully request that the Committee reconsider SB 467 for its removal from its suspense file.

Thank you for your consideration on this matter. Should you have additional questions, please contact the CBA's Legislative Analyst, Kathryn Kay, by telephone at (916) 561-1742 or by email at kathryn.kay@cba.ca.gov.

Sincerely,

A handwritten signature in black ink that reads 'Jose A. Campos'.

Jose A. Campos, CPA
President

c: Senator Jerry Hill, Chair, Senate Business, Professions and Economic Development
Committee
Members, California Board of Accountancy
Patti Bowers, CBA Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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May 8, 2015

The Senate Appropriations Committee
Senator Ricardo Lara, Chair
State Capitol
Sacramento, CA 95814

Bill: SB 467
Position: SUPPORT

Dear Senator Lara,

At its March 19, 2015, meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 467 with respect to the proposed language to extend the CBA's sunset date to January 1, 2020. Additionally, SB 467 would add Business and Professions Code section 5100.5 to the Accountancy Act, which would provide the CBA with the authority to include permanent practice restrictions as part of a final disciplinary order. The CBA supports this change as it will enhance the CBA's ability to protect consumers through its enforcement functions.

The CBA plays an important role in protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. We believe it is vital for the CBA to continue regulating the practice of public accountancy, which includes both licensing and enforcement functions of more than 97,000 licensees.

On behalf of the CBA, I would like to express the CBA's support of these changes.

Sincerely,

A handwritten signature in black ink that reads 'Jose A. Campos'.

Jose A. Campos, CPA
President

c: Assembly Member Jimmy Gomez, Chair, Assembly Appropriations
Members, California Board of Accountancy
Patti Bowers, Executive Officer



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April 1, 2015

The Senate Committee on Business,
Professions and Economic Development
Senator Jerry Hill, Chair
State Capitol
Sacramento, CA 95814

Bill: SB 467
Position: SUPPORT

Dear Senator Hill,

At its March 19, 2015, meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 467, which would extend the CBA's sunset date to January 1, 2020.

The CBA plays an important role in protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. We believe it is vital for the CBA to continue regulating the practice of public accountancy, which includes both licensing and enforcement functions of more than 97,000 licensees.

On behalf of the CBA, I would like to thank you for authoring this important bill and for providing the CBA the opportunity to testify before the Committees at the Joint Oversight Hearing on March 18, 2015.

Sincerely,

A handwritten signature in black ink that reads 'Jose A. Campos'.

Jose A. Campos, CPA
President

c: Assembly Member Susan Bonilla, Chair, Assembly Business and Professions Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer



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LC Item III.G.
 July 23, 2015

CBA Item X.A.3.g.
 July 22-23, 2015

CALIFORNIA BOARD OF ACCOUNTANCY LEGISLATIVE ANALYSIS SB 799

Subject:	Omnibus Bill	Version	6/25/15
Author:	Senate BP&ED	Status:	Assembly B&P
Sponsor:	Author		
CBA Position:	Support		

Action(s) Needed

There is no specific action needed on this item. This bill has had no change in status or impact on the California Board of Accountancy (CBA) since its last meeting.

Summary

SB 799 (**Attachment 1**) would clarify the restoration requirements of a license placed in retired status and would also recast and strengthen the requirements for an out-of-state licensee applicant by changing the requirement from holds a 'valid and unrevoked' license to mean 'current, active, and unrestricted' license. This bill contains other non-controversial, technical provisions related to other boards and bureaus.

Amendments

In May, the CBA adopted an additional legislative proposal related to amending BPC section 5055 that will clarify that holders of a California practice privilege may use the certified public accountant (CPA) designation (**Attachment 2**). The CBA directed staff to submit a request to the the Senate Business, Professions and Economic Development (Senate BP&ED) Committee for inclusion in the omnibus bill, which was completed and amended into the bill on June 25, 2015.

Background

This bill is one of two "committee bills" authored by the Senate BP&ED and is intended to consolidate a number of non-controversial provisions related to various regulatory programs and professions governed by the Business and Professions Code (BPC). Consolidating the provisions in one bill is designed to relieve the various licensing boards, bureaus, professions and other regulatory agencies from the necessity and burden of having separate measures for a number of non-controversial revisions.

Many of the provisions of this bill are minor, technical and updating changes, while other provisions are substantive changes intended to improve the ability of various licensing programs and other entities to efficiently and effectively administer their respective laws.

Every year, typically in December, the Senate BP&ED Committee, requests that all Department of Consumer Affairs boards and bureaus submit ideas for inclusion in its annual omnibus legislation.

In January, the CBA submitted two legislative proposals that were later accepted by the Senate BP&ED Committee. These proposals relate to clarifying the restoration requirements of a license placed in retired status and recasting and strengthening requirements for an out-of-state licensee applicants. At its March meeting, the CBA took a support position on SB 799.

Analysis

As a majority of the bill contains a variety of changes to the BPC that are not related to the CBA, staff's analysis has been made specific to the proposed changes to the Accountancy Act.

Retired Status (BPC section 5070.1)

The purpose and scope of the legislative change is to further clarify restoration requirements for licenses canceled pursuant to BPC section 5070.7 that were later placed into retired status. Present law does not reference BPC section 5070.7, which states in pertinent part, that a canceled license “may not be renewed, restored, or reinstated thereafter.” This ambiguity could mislead individuals to believe that a canceled license that was placed into retired status could later be restored to an active or inactive status.

The proposal would add the phrases “the board shall not restore to active or inactive status a license that was previously canceled” and that individuals “must apply for a new license” should they wish to return to the practice of public accounting. Further, this section would specifically reference BPC sections 5070.7 and 5070.1(i), clarifying these requirements as already codified in present law.

Out-of-State Licensee Applicants (BPC section 5087)

The purpose of this change is to recast and strengthen the requirements for an out-of-state license from “valid and unrevoked” to mean “current, active, and unrestricted.” As presently written, BPC section 5087 is ambiguous and may mislead individuals seeking reciprocity in California. Additionally, the term “unrevoked” does not include license restrictions such as citations, orders of abatement, and probation, all of which are relevant and critical in the CBA' mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. This change will assist the CBA in its mission to protect consumers through its licensing program.

Use of Certified Public Accountant Designation (BPC section 5055)

The proposed language clarifies that those authorized to practice with a practice privilege may use the CPA designation in California. As presently written, BPC section 5055 specifies that only an individual who received a “certificate” from the CBA may use the designation; however, certificates are not issued to practice privilege holders, but rather is granted by operation of law.

BPC section 5096.7 states that anywhere the term “license,” “licensee,” “permit,” or “certificate” is used in the Accountancy Act, it includes practice privilege holders. The CBA has interpreted the spirit of this law to apply to BPC section 5055. This proposal would make reference to practice privilege holders in BPC section 5055, and would clarify to consumers, licensees, and other stakeholders that out-of-state licensees exercising a practice privilege in California may use the CPA designation.

Fiscal Estimate

Fiscal impacts associated with the proposed changes to the Accountancy Act are minor and absorbable by the CBA.

Recommendation

Staff recommend that the CBA maintain its current Support position.

Support/Opposition

Support: California Board of Accountancy
Board of Professional Engineers, Land Surveyors and Geologists
Center for Public Interest Law

Opposition: None at this time.

Effective/Operative Date

January 1, 2016

Attachments

1. SB 799
2. CBA’s Legislative Proposal Regarding BPC Section 5055
3. CBA Letters of Support

AMENDED IN ASSEMBLY JUNE 25, 2015

AMENDED IN SENATE APRIL 20, 2015

SENATE BILL

No. 799

Introduced by Committee on Business, Professions and Economic Development (Senators Hill (Chair), Bates, Berryhill, Block, Galgiani, Hernandez, Jackson, Mendoza, and Wieckowski)

March 18, 2015

An act to amend Sections 5055, 5070.1, 5087, 6735, 7083, 7200, 7200.5, 7200.7, 7201, 7202, 7208, 7209, 7209.5, 7210.5, 7211.1, 7211.2, 7215, 7215.5, 7217, 7685, 7818, 8508, 8513, 8552, 8611, and 17913 of, and to repeal Section 8516.5 of, the Business and Professions Code, and to amend Section 13995.40 of the Government Code, relating to business and professions.

LEGISLATIVE COUNSEL'S DIGEST

SB 799, as amended, Committee on Business, Professions and Economic Development. Business and professions.

(1) *Existing law provides for the practice of accountancy by the California Board of Accountancy. Existing law, until January 1, 2019, authorizes an individual whose principal place of business is not in this state and who has a valid and current license, certificate, or permit to practice public accountancy from another state to engage in the practice of public accountancy in this state under a practice privilege without obtaining a certificate or license subject to specified requirements. Existing law provides that an accountant whose license was canceled by operation of law, after nonrenewal, as specified, may, upon application to the board and meeting specified requirements, have his or her license placed into a retired status.*

This bill would *authorize an individual practicing public accountancy in this state under a practice privilege to be styled and known as a “certified public accountant” and use the abbreviation “C.P.A.”* The bill would prohibit the ~~California Board of Accountancy~~ board from restoring that license in retired status to active or inactive status and instead would require the individual to apply for a new license in order to restore his or her license.

(2) ~~Existing law~~ authorizes the ~~California Board of Accountancy~~ board to issue a certified public ~~account~~ accountant (CPA) license to an applicant who holds a valid and unrevoked CPA license in another state, under specified conditions.

This bill would require that an out-of-state applicant hold a current, active, and unrestricted CPA license in order to be issued a CPA license under this provision.

(3)

(2) The Professional Engineers Act provides for the regulation and licensure of professional engineers by the Board for Professional Engineers, Land Surveyors, and Geologists. A violation of the licensing provisions of the act is a misdemeanor. Existing law requires all civil engineering plans, calculations, specifications, and reports to be prepared by, or under the responsible charge of, a licensed civil engineer, as specified. Existing law requires all civil engineering plans, calculations, specifications, and reports for the construction of all public school structures to be prepared by, or under the responsible charge of, a licensed architect or a licensed civil engineer who is also licensed as a structural engineer. Existing law requires all civil engineering plans, calculations, specifications, and reports for the construction of all hospitals and other medical facilities having surgery and emergency treatment areas to be prepared by, or under the responsible charge of, a licensed civil engineer who is also licensed as a structural engineer.

This bill would repeal the requirements that all civil engineering plans and other specified documents for construction of public school structures be prepared by, or under the responsible charge of, a licensed architect or a licensed civil engineer who is also licensed as a structural engineer. The bill would also repeal the requirements that all civil engineering plans and other specified documents for construction of specified hospital and medical facilities be prepared by, or under the responsible charge of, a licensed civil engineer who is also licensed as a structural engineer.

(4)

(3) Existing law establishes within the Department of Consumer Affairs a State Board of Guide Dogs for the Blind, which consists of 7 members appointed by the Governor. Existing law authorizes the board to issue licenses for guide dog training and instructional services. A violation of these licensing provisions is a misdemeanor.

This bill would also include dogs trained and provided for visually impaired persons within these licensing requirements. The bill would change reporting requirements from a calendar year to a fiscal year period and would make technical changes.

~~(5)~~

(4) Under the Funeral Directors and Embalmers Law, the Cemetery and Funeral Bureau regulates licensed funeral establishments and requires that they be operated by a licensed funeral director who is required to provide written information regarding funeral goods and services and prices to consumers. Existing law requires a funeral establishment that maintains an Internet Web site to also post that information on its Internet Web site provided by a link from the homepage. A violation of these provisions is a misdemeanor.

This bill would require that the funeral establishment's Internet Web site contain specified key words.

~~(6) The~~

(5) Existing law provides for the licensure and regulation of structural pest control operators and registered companies by the Structural Pest Control Board. The California Constitution provides that laborers of every class who have worked upon or have furnished material for a property have a lien upon that property for the value of the labor done and material furnished. The California Constitution requires the Legislature to provide, by law, for the speedy and efficient enforcement of those liens. Existing law requires specified-structural pest control operators registered companies to provide notice regarding possible liens, as specified, to the owner of property prior to entering into a contract to provide work on that property. A violation of these provisions is a misdemeanor.

This bill would extend the notice requirements to all-structural pest control operators- registered companies.

~~(7) Existing~~

Existing law requires a structural pest control operator to provide a report detailing the results of an inspection for wood destroying pests or organisms prior to commencing work on a contract or expressing an opinion regarding the presence or absence of wood destroying pests or

organisms, to the Structural Pest Control Board, within the Department of Consumer Affairs, as specified. Existing law requires that the pest control operator deliver a copy of the report to the person requesting inspection, or designated agent, within 10 business days of the inspection. Existing law requires a pest control operator to deliver a copy of that report to the owner or the owner’s agent within 10 working days of an inspection.

This bill would remove the requirement that the pest control operator provide the owner of the property or the owner’s agent with a copy of the report, unless the owner was the person who requested the inspection.

(8)

(6) Existing law creates the California Travel and Tourism Commission and provides for the membership and meetings of the commission.

This bill would specify that all meetings of the commission take place in California and would authorize commissioners to attend meetings of the commission by conference telephone or other ~~technology~~, as specified: *technology*.

(7) *This bill would make various other nonsubstantive changes.*

(9)

(8) Because this bill would expand the definition of a crime, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 5055 of the Business and Professions
2 Code is amended to read:
3 5055. Any person who has received from the board a certificate
4 of certified public ~~accountant~~ *accountant*, or who is authorized to
5 practice public accountancy in this state pursuant to Article 5.1
6 (commencing with Section 5096), may, subject to Section 5051,
7 be styled and known as a “certified public accountant” and may

1 also use the abbreviation “C.P.A.” No other person, except a firm
2 registered under this chapter, shall assume or use that title,
3 designation, or abbreviation or any other title, designation, sign,
4 card, or device tending to indicate that the person using it is a
5 certified public accountant.

6 **SECTION 1.**

7 *SEC. 2.* Section 5070.1 of the Business and Professions Code
8 is amended to read:

9 5070.1. (a) The board may establish, by regulation, a system
10 for the placement of a license into a retired status, upon application,
11 for certified public accountants and public accountants who are
12 not actively engaged in the practice of public accountancy or any
13 activity that requires them to be licensed by the board.

14 (b) No licensee with a license in a retired status shall engage in
15 any activity for which a permit is required.

16 (c) The board shall deny an applicant’s application to place a
17 license in a retired status if the permit is subject to an outstanding
18 order of the board, is suspended, revoked, or otherwise punitively
19 restricted by the board, or is subject to disciplinary action under
20 this chapter.

21 (d) (1) The holder of a license that was canceled pursuant to
22 Section 5070.7 may apply for the placement of that license in a
23 retired status pursuant to subdivision (a).

24 (2) Upon approval of an application made pursuant to paragraph
25 (1), the board shall reissue that license in a retired status.

26 (3) The holder of a canceled license that was placed in retired
27 status between January 1, 1994, and January 1, 1999, inclusive,
28 shall not be required to meet the qualifications established pursuant
29 to subdivision (e), but shall be subject to all other requirements of
30 this section.

31 (e) The board shall establish minimum qualifications to place
32 a license in retired status.

33 (f) The board may exempt the holder of a license in a retired
34 status from the renewal requirements described in Section 5070.5.

35 (g) The board shall establish minimum qualifications for the
36 restoration of a license in a retired status to an active status. These
37 minimum qualifications shall include, but are not limited to,
38 continuing education and payment of a fee as provided in
39 subdivision (h) of Section 5134.

1 (h) The board shall not restore to active or inactive status a
 2 license that was canceled by operation of law, pursuant to
 3 subdivision (a) of Section 5070.7, and then placed into retired
 4 status pursuant to subdivision (d). The individual shall instead
 5 apply for a new license, as described in subdivision (c) of Section
 6 5070.7, in order to restore his or her license.

7 ~~SEC. 2.~~

8 *SEC. 3.* Section 5087 of the Business and Professions Code is
 9 amended to read:

10 5087. (a) The board may issue a certified public accountant
 11 license to any applicant who is a holder of a current, active, and
 12 unrestricted certified public accountant license issued under the
 13 laws of any state, if the board determines that the standards under
 14 which the applicant received the license are substantially equivalent
 15 to the standards of education, examination, and experience
 16 established under this chapter and the applicant has not committed
 17 acts or crimes constituting grounds for denial under Section 480.
 18 To be authorized to sign reports on attest engagements, the
 19 applicant shall meet the requirements of Section 5095.

20 (b) The board may in particular cases waive any of the
 21 requirements regarding the circumstances in which the various
 22 parts of the examination were to be passed for an applicant from
 23 another state.

24 ~~SEC. 3.~~

25 *SEC. 4.* Section 6735 of the Business and Professions Code is
 26 amended to read:

27 6735. (a) All civil (including structural and geotechnical)
 28 engineering plans, calculations, specifications, and reports
 29 (hereinafter referred to as “documents”) shall be prepared by, or
 30 under the responsible charge of, a licensed civil engineer and shall
 31 include his or her name and license number. Interim documents
 32 shall include a notation as to the intended purpose of the document,
 33 such as “preliminary,” “not for construction,” “for plan check
 34 only,” or “for review only.” All civil engineering plans and
 35 specifications that are permitted or that are to be released for
 36 construction shall bear the signature and seal or stamp of the
 37 licensee and the date of signing and sealing or stamping. All final
 38 civil engineering calculations and reports shall bear the signature
 39 and seal or stamp of the licensee, and the date of signing and
 40 sealing or stamping. If civil engineering plans are required to be

1 signed and sealed or stamped and have multiple sheets, the
2 signature, seal or stamp, and date of signing and sealing or
3 stamping shall appear on each sheet of the plans. If civil
4 engineering specifications, calculations, and reports are required
5 to be signed and sealed or stamped and have multiple pages, the
6 signature, seal or stamp, and date of signing and sealing or
7 stamping shall appear at a minimum on the title sheet, cover sheet,
8 or signature sheet.

9 (b) Notwithstanding subdivision (a), a licensed civil engineer
10 who signs civil engineering documents shall not be responsible
11 for damage caused by subsequent changes to or uses of those
12 documents, if the subsequent changes or uses, including changes
13 or uses made by state or local governmental agencies, are not
14 authorized or approved by the licensed civil engineer who
15 originally signed the documents, provided that the engineering
16 service rendered by the civil engineer who signed the documents
17 was not also a proximate cause of the damage.

18 ~~SEC. 4.~~

19 *SEC. 5.* Section 7083 of the Business and Professions Code is
20 amended to read:

21 7083. (a) Notwithstanding any other law, licensees shall notify
22 the registrar, on a form prescribed by the registrar, in writing within
23 90 days of any change to information recorded under this chapter.
24 This notification requirement shall include, but not be limited to,
25 changes in business address, personnel, business name, qualifying
26 individual bond exemption pursuant to Section 7071.9, or
27 exemption to qualify multiple licenses pursuant to Section 7068.1.

28 (b) Failure of the licensee to notify the registrar of any change
29 to information within 90 days shall cause the change to be effective
30 the date the written notification is received at the board's
31 headquarters office.

32 (c) Failure to notify the registrar of the changes within the 90
33 days is grounds for disciplinary action.

34 ~~SEC. 5.~~

35 *SEC. 6.* Section 7200 of the Business and Professions Code is
36 amended to read:

37 7200. (a) There is in the Department of Consumer Affairs a
38 State Board of Guide Dogs for the Blind in whom enforcement of
39 this chapter is vested. The board shall consist of seven members
40 appointed by the Governor. One member shall be the Director of

1 Rehabilitation or his or her designated representative. The
2 remaining members shall be persons who have shown a particular
3 interest in dealing with the problems of persons who are blind or
4 visually impaired and at least two of them shall be persons who
5 are blind or visually impaired who use guide dogs.

6 (b) This section shall remain in effect only until January 1, 2018,
7 and as of that date is repealed, unless a later enacted statute, that
8 is enacted before January 1, 2018, deletes or extends that date.
9 Notwithstanding any other law, the repeal of this section renders
10 the board subject to review by the appropriate policy committees
11 of the Legislature.

12 ~~SEC. 6.~~

13 *SEC. 7.* Section 7200.5 of the Business and Professions Code
14 is amended to read:

15 7200.5. The board shall have exclusive authority in this state
16 to issue licenses for the instruction of persons who are blind or
17 visually impaired in the use of guide dogs and for the training of
18 guide dogs for use by persons who are blind or visually impaired.
19 It shall also have exclusive authority in this state to issue licenses
20 to operate schools for the training of guide dogs and the instruction
21 of persons who are blind or visually impaired in the use of guide
22 dogs.

23 ~~SEC. 7.~~

24 *SEC. 8.* Section 7200.7 of the Business and Professions Code
25 is amended to read:

26 7200.7. A fee equal to no more than 0.005 of all school
27 expenses incurred in the most recently concluded school fiscal
28 year, as specified in the audit required under Section 7217, shall
29 be paid no later than April 30 of each year for renewal of a school's
30 license pursuant to Section 7200.5. The board shall, by regulation,
31 define the exact amount of the fee. All fees collected pursuant to
32 this section shall be deposited into the Guide Dogs for the Blind
33 Fund, which is hereby created.

34 ~~SEC. 8.~~

35 *SEC. 9.* Section 7201 of the Business and Professions Code is
36 amended to read:

37 7201. No person shall be eligible to membership in the board
38 who is a stockholder in, or an owner of, or financially interested
39 directly or indirectly, in any company, organization, or concern

1 supplying, delivering, or furnishing any guide dogs for use by
2 persons who are blind or visually impaired.

3 ~~SEC. 9.~~

4 *SEC. 10.* Section 7202 of the Business and Professions Code
5 is amended to read:

6 7202. Each of the appointed members of the board shall hold
7 office for a term of four years and until his *or her* successor is
8 appointed and qualified or until one year shall have elapsed since
9 the expiration of the term for which he *or she* was appointed,
10 whichever first occurs. No person shall serve as an appointed
11 member of the board for more than two consecutive terms.

12 ~~SEC. 10.~~

13 *SEC. 11.* Section 7208 of the Business and Professions Code
14 is amended to read:

15 7208. Pursuant to the provisions of the Administrative
16 Procedure Act the board may make such rules and regulations as
17 are reasonably necessary to:

18 (a) Govern the procedure of the board.

19 (b) Govern the admission of applicants for examination for
20 license to instruct persons who are blind or visually impaired in
21 the use of guide dogs or to engage in the business of training,
22 selling, hiring, or being in the business of supplying guide dogs
23 for persons who are blind or visually impaired.

24 (c) Govern the operation of schools which furnish guide dogs
25 and train persons who are blind or visually impaired to use guide
26 dogs.

27 (d) The reissuance of licenses.

28 (e) The reexamination of licensees.

29 ~~SEC. 11.~~

30 *SEC. 12.* Section 7209 of the Business and Professions Code
31 is amended to read:

32 7209. A person to be eligible for examination as an instructor
33 must (a) have a knowledge of the special problems of persons
34 who are blind or visually impaired and how to teach them, (b) be
35 able to demonstrate by actual blindfold test under traffic conditions
36 his *or her* ability to train guide dogs with whom persons who are
37 blind or visually impaired would be safe, (c) be suited
38 temperamentally and otherwise to instruct persons who are blind
39 or visually impaired in the use of guide dogs, and (d) have had at
40 least three years' actual experience, comprising such number of

1 hours as the board may require, as an instructor, and have handled
2 22 person-dog units; or its equivalent, as determined by the board,
3 as an apprentice under a licensed instructor or under an instructor
4 in a school satisfactory to the board.

5 ~~SEC. 12.~~

6 *SEC. 13.* Section 7209.5 of the Business and Professions Code
7 is amended to read:

8 7209.5. Except as the context otherwise requires, as used in
9 this chapter the term “instructor” means a person who instructs
10 persons who are blind or visually impaired in the use of guide dogs
11 or who engages in the business of training, selling, hiring, or
12 supplying guide dogs for persons who are blind or visually
13 impaired.

14 ~~SEC. 13.~~

15 *SEC. 14.* Section 7210.5 of the Business and Professions Code
16 is amended to read:

17 7210.5. It is unlawful to solicit funds for any person purporting
18 to provide guide dogs for persons who are blind or visually
19 impaired in this state unless the person for whose benefit the
20 solicitation is made holds a valid and unimpaired license issued
21 by the State Board of Guide Dogs for the Blind.

22 As used in this section “person” means an individual, firm,
23 partnership, association, corporation, limited liability company,
24 or cooperative association.

25 ~~SEC. 14.~~

26 *SEC. 15.* Section 7211.1 of the Business and Professions Code
27 is amended to read:

28 7211.1. (a) As a condition of renewal of an instructor’s license,
29 the instructor shall provide proof of completion of not less than 8
30 hours of continuing education. The board shall determine the form
31 of proof.

32 (b) Continuing education shall meet the criteria specified in
33 Section 166, and shall be in one or more of the following subject
34 matter areas:

- 35 (1) Blindness and mobility.
- 36 (2) Health issues relating to blindness.
- 37 (3) Instructing persons who are blind or visually impaired.
- 38 (4) Care and training of dogs.

1 ~~SEC. 15.~~

2 *SEC. 16.* Section 7211.2 of the Business and Professions Code
3 is amended to read:

4 7211.2. A plea or verdict of guilty or a conviction following a
5 plea of nolo contendere is deemed to be a conviction within the
6 meaning of this article. The board may order the license suspended
7 or revoked, or may decline to issue a license, when the time for
8 appeal has elapsed, or the judgment of conviction has been affirmed
9 on appeal or when an order granting probation is made suspending
10 the imposition of sentence, irrespective of a subsequent order under
11 the provisions of Section 1203.4 of the Penal Code allowing such
12 person to withdraw his or her plea of guilty and to enter a plea of
13 not guilty, or setting aside the verdict of guilty, or dismissing the
14 accusation, ~~information~~ *information*, or indictment.

15 ~~SEC. 16.~~

16 *SEC. 17.* Section 7215 of the Business and Professions Code
17 is amended to read:

18 7215. No person shall sell, give, or furnish any guide dog to a
19 person who is blind or visually impaired unless the following
20 requirements have been met:

- 21 (a) The dog has been immunized against distemper and rabies.
- 22 (b) The dog has been spayed or neutered.
- 23 (c) The dog has been examined by a licensed veterinarian and
24 found to be in good health.

25 A certificate from a veterinarian certifying to the foregoing shall
26 be delivered to the recipient of the dog at the time the dog is
27 assigned to a client.

28 ~~SEC. 17.~~

29 *SEC. 18.* Section 7215.5 of the Business and Professions Code
30 is amended to read:

31 7215.5. (a) During the first year following the successful
32 training of each person-dog unit, and release from a guide dog
33 training school of the trained person supplied with a guide dog,
34 the school may retain title to the trained dog. During this
35 probationary year, the school may enter into a contractual
36 agreement with the user of the dog describing the conditions under
37 which the user may maintain the status of legal custodian of the
38 dog. During the probationary year, the school, acting in what it
39 deems to be the best interest of the user, the dog, or the public,
40 may temporarily or permanently resume possession of the dog.

1 ~~Within~~

2 (b) *Within* 15 days after the end of each fiscal year, each
3 licensed school shall report to the board the following:

4 (1) The number of dog ownership titles transferred to dog users
5 pursuant to this section during the calendar year.

6 (2) The number of title recoveries and repossessions made by
7 the school pursuant to this section during the calendar year.

8 (3) The number, type, and amount of charges assessed for
9 followup training, instruction, veterinary, or boarding services,
10 pursuant to this section, which make a distinction between users
11 who have acquired title to their dogs and users who have not
12 acquired title.

13 (4) The views of the governing entity of the school as to any
14 problems or concerns relative to compliance with the provisions
15 of this section, along with recommendations for appropriate
16 legislative or administrative changes commensurate with the
17 purposes of this section.

18 ~~Immediately~~

19 (c) *Immediately* upon completion of the first year following the
20 successful training referred to above, if the training school and the
21 dog user are mutually satisfied with the operation of the person-dog
22 unit, title to the dog shall be transferred to the user who is blind
23 or visually impaired if the user so desires. Transfer of title shall
24 be evidenced by a transfer of title agreement executed by both
25 parties thereto. The school may retain an option to recover title
26 and possession to the guide dog subject to conditions described in
27 the transfer of title agreement. These conditions may include, but
28 are not limited to, the following:

29 (1) If in the school's opinion, the guide dog is being misused
30 or neglected or mistreated by its user who is blind or visually
31 impaired.

32 (2) If the user to whom the dog was furnished has ceased to use
33 the dog as a guide and the dog is not too old to be retrained as a
34 guide for another person who is blind or visually impaired.

35 (3) If, in the school's opinion, the dog is no longer a safe guide
36 and the user refuses to cease using the dog as a guide after being
37 requested by the school to cease this use.

38 ~~The~~

39 (d) *The* guide dog school shall make no distinction as to the
40 quality or extent of followup or supportive services available to

1 its blind graduates based on whether they elect to acquire title to
2 their dogs or allow title to remain with the school after the
3 probationary year. The school may, however, make this distinction
4 when assessing reasonable and appropriate charges for followup
5 training, instruction, veterinary, or boarding services.

6 ~~No~~

7 (e) No applicant for admission to a guide dog training school,
8 nor any enrolled student, shall be required by the school prior to
9 completion of his or her training to sign any instrument or to
10 announce his or her intention regarding transfer of title of the dog
11 from the school to himself or herself upon completion of the
12 training and probation period.

13 ~~SEC. 18.~~

14 *SEC. 19.* Section 7217 of the Business and Professions Code
15 is amended to read:

16 7217. (a) Within 60 days after the termination of the fiscal
17 year of a school, there shall be furnished to the board the following:

18 (1) A list of students accepted for training and those who have
19 completed training.

20 (2) A list of the number of dogs trained.

21 (b) Within 90 days after the end of a fiscal year, there shall be
22 furnished to the board an independent audit of the school's finances
23 by a certified public accountant licensed by this state.

24 ~~SEC. 19.~~

25 *SEC. 20.* Section 7685 of the Business and Professions Code
26 is amended to read:

27 7685. (a) (1) Every funeral director shall provide to any
28 person, upon beginning discussion of prices or of the funeral goods
29 and services offered, a written or printed list containing, but not
30 necessarily limited to, the price for professional services offered,
31 which may include the funeral director's services, the preparation
32 of the body, the use of facilities, and the use of automotive
33 equipment. All services included in this price or prices shall be
34 enumerated. The funeral director shall also provide a statement on
35 that list that gives the price range for all caskets offered for sale.

36 (2) The list shall also include a statement indicating that the
37 survivor of the deceased who is handling the funeral arrangements,
38 or the responsible party, is entitled to receive, prior to the drafting
39 of any contract, a copy of any preneed agreement that has been

1 signed and paid for, in full or in part, by or on behalf of the
2 deceased, and that is in the possession of the funeral establishment.

3 (3) The funeral director shall also provide a written statement
4 or list that, at a minimum, specifically identifies a particular casket
5 or caskets by price and by thickness of metal, or type of wood, or
6 other construction, interior and color, in addition to other casket
7 identification requirements under Part 453 of Title 16 of the Code
8 of Federal Regulations and any subsequent version of this
9 regulation, when a request for specific information on a casket or
10 caskets is made in person by any individual. Prices of caskets and
11 other identifying features such as thickness of metal, or type of
12 wood, or other construction, interior and color, in addition to other
13 casket identification requirements required to be given over the
14 telephone by Part 453 of Title 16 of the Code of Federal
15 Regulations and any subsequent version of this regulation, shall
16 be provided over the telephone, if requested.

17 (b) (1) Each licensed funeral establishment that maintains an
18 Internet Web site shall post on its Internet Web site the list of
19 funeral goods and services that are required to be included in the
20 establishment's general price list, pursuant to federal rule, and a
21 statement that the general price list is available upon request.

22 (2) Information posted pursuant to paragraph (1) shall be
23 provided by a link from the homepage of the Internet Web site
24 with a word or combination of words, including, but not limited
25 to, "goods," "merchandise," "products," or "services."

26 (3) An establishment that posts on its Internet Web site home
27 page the words "price information" or a similar phrase that includes
28 the word "price," with a link that leads to the establishment's
29 general price list, need not comply with paragraphs (1) or (2).

30 (4) Nothing in this subdivision shall be construed to affect an
31 establishment's obligations under federal or state law effective
32 prior to January 1, 2013.

33 (5) This subdivision shall become operative on January 1, 2013.

34 *SEC. 21. Section 7818 of the Business and Professions Code*
35 *is amended to read:*

36 7818. The board, pursuant to the provisions contained in
37 Chapter ~~4.5~~ 3.5 (commencing with Section ~~11371~~ 11340) of Part
38 1 of Division 3 of Title 2 of the Government Code, may adopt,
39 amend or repeal rules and regulations to carry out the provisions
40 of this chapter.

1 ~~SEC. 20.~~

2 *SEC. 22.* Section 8508 of the Business and Professions Code
3 is amended to read:

4 8508. “Household” means any structure and its contents that
5 are used for persons and their convenience.

6 ~~SEC. 21.~~

7 *SEC. 23.* Section 8513 of the Business and Professions Code
8 is amended to read:

9 8513. (a) The board shall prescribe a form entitled “Notice to
10 Owner” that shall describe, in nontechnical language and in a clear
11 and coherent manner using words with common and everyday
12 meaning, the pertinent provisions of this state’s mechanics lien
13 laws and the rights and responsibilities of an owner of property
14 and a registered pest control company thereunder. Each company
15 registered under this chapter, prior to entering into a contract with
16 an owner for work for which a company registration is required,
17 shall give a copy of this “Notice to Owner” to the owner, his or
18 her agent, or the payer.

19 (b) No company that is required to be registered under this
20 chapter shall require or request a waiver of lien rights from any
21 subcontractor, employee, or supplier.

22 (c) Each company registered under this chapter that acts as a
23 subcontractor for another company registered under this chapter
24 shall, within 20 days of commencement of any work for which a
25 company registration is required, give the preliminary notice in
26 accordance with Chapter 2 (commencing with Section 8200) of
27 Title 2 of Part 6 of Division 4 of the Civil Code, to the owner, his
28 or her agent, or the payer.

29 (d) Each company registered under this chapter that acts as a
30 prime contractor for work for which a company registration is
31 required shall, prior to accepting payment for the work, furnish to
32 the owner, his or her agent, or the payer a full and unconditional
33 release from any claim of mechanics lien by any subcontractor
34 entitled to enforce a mechanics lien pursuant to Section 8410 of
35 the Civil Code.

36 (e) Each company registered under this chapter that subcontracts
37 to another company registered under this chapter work for which
38 a company registration is required shall furnish to the subcontractor
39 the name of the owner, his or her agent, or the payer.

1 (f) A violation of the provisions of this section is a ground for
2 disciplinary action.

3 ~~SEC. 22.~~

4 *SEC. 24.* Section 8516.5 of the Business and Professions Code
5 is repealed.

6 ~~SEC. 23.~~

7 *SEC. 25.* Section 8552 of the Business and Professions Code
8 is amended to read:

9 8552. It is unlawful for any person to advertise or represent in
10 any manner that any pest control work, in whole or in part, has
11 been done upon any structure, unless the work has been performed
12 by a registered company, except as otherwise provided in this
13 chapter.

14 ~~SEC. 24.~~

15 *SEC. 26.* Section 8611 of the Business and Professions Code
16 is amended to read:

17 8611. (a) Each branch office shall have a branch supervisor
18 designated by the registered company to supervise and assist the
19 company’s employees who are located at that branch. The branch
20 supervisor shall be an individual who is licensed by the board as
21 an operator or a field representative in the branch or branches of
22 business being conducted and his or her license shall be
23 prominently displayed in the branch office.

24 (b) If a branch supervisor ceases for any reason to be connected
25 with a registered company, the company shall notify the registrar
26 in writing within 10 days from that cessation. If this notice is given,
27 the company’s branch office registration shall remain in force for
28 a reasonable length of time to be determined by rules of the board,
29 during which period the company shall submit to the registrar in
30 writing the name of another qualified branch supervisor.

31 ~~SEC. 25.~~

32 *SEC. 27.* Section 17913 of the Business and Professions Code
33 is amended to read:

34 17913. (a) The fictitious business name statement shall contain
35 all of the information required by this subdivision and shall be
36 substantially in the following form:

37

38 FICTITIOUS BUSINESS NAME STATEMENT

39 The following person (persons) is (are) doing business as

40 * _____

1 at ** _____:
 2 *** _____
 3 _____
 4 _____
 5 _____

6 This business is conducted by **** _____
 7 The registrant commenced to transact business under the fictitious business
 8 name or names listed above on
 9 ***** _____

10 I declare that all information in this statement is true and correct. (A registrant
 11 who declares as true any material matter pursuant to Section 17913 of the
 12 Business and Professions Code that the registrant knows to be false is guilty
 13 of a misdemeanor punishable by a fine not to exceed one thousand dollars
 14 (\$1,000).)

15 Registrant signature _____
 16 Statement filed with the County Clerk of ____ County on _____
 17

18 NOTICE—IN ACCORDANCE WITH SUBDIVISION (a) OF
 19 SECTION 17920, A FICTITIOUS NAME STATEMENT
 20 GENERALLY EXPIRES AT THE END OF FIVE YEARS FROM
 21 THE DATE ON WHICH IT WAS FILED IN THE OFFICE OF
 22 THE COUNTY CLERK, EXCEPT, AS PROVIDED IN
 23 SUBDIVISION (b) OF SECTION 17920, WHERE IT EXPIRES
 24 40 DAYS AFTER ANY CHANGE IN THE FACTS SET FORTH
 25 IN THE STATEMENT PURSUANT TO SECTION 17913
 26 OTHER THAN A CHANGE IN THE RESIDENCE ADDRESS
 27 OF A REGISTERED OWNER. A NEW FICTITIOUS BUSINESS
 28 NAME STATEMENT MUST BE FILED BEFORE THE
 29 EXPIRATION.

30 THE FILING OF THIS STATEMENT DOES NOT OF ITSELF
 31 AUTHORIZE THE USE IN THIS STATE OF A FICTITIOUS
 32 BUSINESS NAME IN VIOLATION OF THE RIGHTS OF
 33 ANOTHER UNDER FEDERAL, STATE, OR COMMON LAW
 34 (SEE SECTION 14411 ET SEQ., BUSINESS AND
 35 PROFESSIONS CODE).
 36

37 (b) The fictitious business name statement shall contain the
 38 following information set forth in the manner indicated in the form
 39 provided by subdivision (a):

1 (1) Where the asterisk (*) appears in the form, insert the
2 fictitious business name or names. Only those businesses operated
3 at the same address and under the same ownership may be listed
4 on one fictitious business name statement.

5 (2) Where the two asterisks (**) appear in the form: If the
6 registrant has a place of business in this state, insert the street
7 address, and county, of his or her principal place of business in
8 this state. If the registrant has no place of business in this state,
9 insert the street address, and county, of his or her principal place
10 of business outside this state.

11 (3) Where the three asterisks (***) appear in the form: If the
12 registrant is an individual, insert his or her full name and residence
13 address. If the registrants are a married couple, insert the full name
14 and residence address of both parties to the marriage. If the
15 registrant is a general partnership, copartnership, joint venture, or
16 limited liability partnership, insert the full name and residence
17 address of each general partner. If the registrant is a limited
18 partnership, insert the full name and residence address of each
19 general partner. If the registrant is a limited liability company,
20 insert the name and address of the limited liability company, as
21 set out in its articles of organization on file with the California
22 Secretary of State, and the state of organization. If the registrant
23 is a trust, insert the full name and residence address of each trustee.
24 If the registrant is a corporation, insert the name and address of
25 the corporation, as set out in its articles of incorporation on file
26 with the California Secretary of State, and the state of
27 incorporation. If the registrants are state or local registered
28 domestic partners, insert the full name and residence address of
29 each domestic partner. If the registrant is an unincorporated
30 association other than a partnership, insert the name of each person
31 who is interested in the business of the association and whose
32 liability with respect to the association is substantially the same
33 as that of a general partner.

34 (4) Where the four asterisks (****) appear in the form, insert
35 whichever of the following best describes the nature of the
36 business: (i) “an individual,” (ii) “a general partnership,” (iii) “a
37 limited partnership,” (iv) “a limited liability company,” (v) “an
38 unincorporated association other than a partnership,” (vi) “a
39 corporation,” (vii) “a trust,” (viii) “copartners,” (ix) “a married

1 couple,” (x) “joint venture,” (xi) “state or local registered domestic
2 partners,” or (xii) “a limited liability partnership.”

3 (5) Where the five asterisks (*****) appear in the form, insert
4 the date on which the registrant first commenced to transact
5 business under the fictitious business name or names listed, if
6 already transacting business under that name or names. If the
7 registrant has not yet commenced to transact business under the
8 fictitious business name or names listed, insert the statement, “Not
9 applicable.”

10 (c) The registrant shall declare that all of the information in the
11 fictitious business statement is true and correct. A registrant who
12 declares as true any material matter pursuant to this section that
13 the registrant knows to be false is guilty of a misdemeanor
14 punishable by a fine not to exceed one thousand dollars (\$1,000).

15 (d) (1) At the time of filing of the fictitious business name
16 statement, the registrant filing on behalf of the registrant shall
17 present personal identification in the form of a California driver’s
18 license or other government identification acceptable to the county
19 clerk to adequately determine the identity of the registrant filing
20 on behalf of the registrant as provided in subdivision (e) and the
21 county clerk may require the registrant to complete and sign an
22 affidavit of identity.

23 (2) In the case of a registrant utilizing an agent for submission
24 of the registrant’s fictitious business name statement for filing, at
25 the time of filing of the fictitious business name statement, the
26 agent filing on behalf of the registrant shall present personal
27 identification in the form of a California driver’s license or other
28 government identification acceptable to the county clerk to
29 adequately determine the identity of the agent filing on behalf of
30 the registrant as provided in subdivision (e). The county clerk may
31 also require the agent to submit a notarized statement signed by
32 the registrant declaring the registrant has authorized the agent to
33 submit the filing on behalf of the registrant.

34 (e) If the registrant is a corporation, a limited liability company,
35 a limited partnership, or a limited liability partnership, the county
36 clerk may require documentary evidence issued by the California
37 Secretary of State and deemed acceptable by the county clerk,
38 indicating the current existence and good standing of that business
39 entity to be attached to a completed and notarized affidavit of
40 identity, for purposes of subdivision (d).

1 (f) The county clerk may require a registrant that mails a
 2 fictitious business name statement to a county clerk’s office for
 3 filing to submit a completed and notarized affidavit of identity. A
 4 registrant that is a corporation, limited liability company, limited
 5 partnership, or limited liability partnership, if required by the
 6 county clerk to submit an affidavit of identity, shall also submit
 7 documentary evidence issued by the California Secretary of State
 8 indicating the current existence and good standing of that business
 9 entity.

10 (g) A county clerk that chooses to establish procedures pursuant
 11 to this section shall prescribe the form of affidavit of identity for
 12 filing by a registrant in that county.

13 ~~SEC. 26.~~

14 *SEC. 28.* Section 13995.40 of the Government Code is amended
 15 to read:

16 13995.40. (a) Upon approval of the initial referendum, the
 17 office shall establish a nonprofit mutual benefit corporation named
 18 the California Travel and Tourism Commission. The commission
 19 shall be under the direction of a board of commissioners, which
 20 shall function as the board of directors for purposes of the
 21 Nonprofit Corporation Law.

22 (b) The board of commissioners shall consist of 37
 23 commissioners comprising the following:

- 24 (1) The director, who shall serve as chairperson.
- 25 (2) (A) Twelve members, who are professionally active in the
 26 tourism industry, and whose primary business, trade, or profession
 27 is directly related to the tourism industry, shall be appointed by
 28 the Governor. Each appointed commissioner shall represent only
 29 one of the 12 tourism regions designated by the office, and the
 30 appointed commissioners shall be selected so as to represent, to
 31 the greatest extent possible, the diverse elements of the tourism
 32 industry. Appointed commissioners are not limited to individuals
 33 who are employed by or represent assessed businesses.

34 (B) If an appointed commissioner ceases to be professionally
 35 active in the tourism industry or his or her primary business, trade,
 36 or profession ceases to be directly related to the tourism industry,
 37 he or she shall automatically cease to be an appointed
 38 commissioner 90 days following the date on which he or she ceases
 39 to meet both of the eligibility criteria specified in subparagraph

1 (A), unless the commissioner becomes eligible again within that
2 90-day period.

3 (3) Twenty-four elected commissioners, including at least one
4 representative of a travel agency or tour operator that is an assessed
5 business.

6 (c) The commission established pursuant to Section 15364.52
7 shall be inoperative so long as the commission established pursuant
8 to this section is in existence.

9 (d) Elected commissioners shall be elected by industry category
10 in a referendum. Regardless of the number of ballots received for
11 a referendum, the nominee for each commissioner slot with the
12 most weighted votes from assessed businesses within that industry
13 category shall be elected commissioner. In the event that an elected
14 commissioner resigns, dies, or is removed from office during his
15 or her term, the commission shall appoint a replacement from the
16 same industry category that the commissioner in question
17 represented, and that commissioner shall fill the remaining term
18 of the commissioner in question. The number of commissioners
19 elected from each industry category shall be determined by the
20 weighted percentage of assessments from that category.

21 (e) The director may remove any elected commissioner
22 following a hearing at which the commissioner is found guilty of
23 abuse of office or moral turpitude.

24 (f) (1) The term of each elected commissioner shall commence
25 July 1 of the year next following his or her election, and shall
26 expire on June 30 of the fourth year following his or her election.
27 If an elected commissioner ceases to be employed by or with an
28 assessed business in the category and segment which he or she
29 was representing, his or her term as an elected commissioner shall
30 automatically terminate 90 days following the date on which he
31 or she ceases to be so employed, unless, within that 90-day period,
32 the commissioner again is employed by or with an assessed
33 business in the same category and segment.

34 (2) Terms of elected commissioners that would otherwise expire
35 effective December 31 of the year during which legislation adding
36 this subdivision is enacted shall automatically be extended until
37 June 30 of the following year.

38 (g) With the exception of the director, no commissioner shall
39 serve for more than two consecutive terms. For purposes of this

1 subdivision, the phrase “two consecutive terms” shall not include
2 partial terms.

3 (h) Except for the original commissioners, all commissioners
4 shall serve four-year terms. One-half of the commissioners
5 originally appointed or elected shall serve a two-year term, while
6 the remainder shall serve a four-year term. Every two years
7 thereafter, one-half of the commissioners shall be appointed or
8 elected by referendum.

9 (i) The selection committee shall determine the initial slate of
10 candidates for elected commissioners. Thereafter the
11 commissioners, by adopted resolution, shall nominate a slate of
12 candidates, and shall include any additional candidates complying
13 with the procedure described in Section 13995.62.

14 (j) The commissioners shall elect a vice chairperson from the
15 elected commissioners.

16 (k) The commission may lease space from the office.

17 (l) The commission and the office shall be the official state
18 representatives of California tourism.

19 (m) (1) All commission meetings shall be held in California.

20 (2) Commissioners may participate in meetings by means of
21 conference telephone and other technology, as authorized pursuant
22 to ~~paragraph (6) of subdivision (a) of Section 7211 of the~~
23 ~~Corporations Code.~~ *technology.*

24 (n) No person shall receive compensation for serving as a
25 commissioner, but each commissioner shall receive reimbursement
26 for reasonable expenses incurred while on authorized commission
27 business.

28 (o) Assessed businesses shall vote only for commissioners
29 representing their industry category.

30 (p) Commissioners shall comply with the requirements of the
31 Political Reform Act of 1974 (Title 9 (commencing with Section
32 81000)). The Legislature finds and declares that commissioners
33 appointed or elected on the basis of membership in a particular
34 tourism segment are appointed or elected to represent and serve
35 the economic interests of those tourism segments and that the
36 economic interests of these members are the same as those of the
37 public generally.

38 (q) Commission meetings shall be subject to the requirements
39 of the Bagley-Keene Open Meeting Act (Article 9 (commencing
40 with Section 11120) of Chapter 1 of Part 1).

1 (r) The executive director of the commission shall serve as
2 secretary to the commission, a nonvoting position, and shall keep
3 the minutes and records of all commission meetings.

4 ~~SEC. 27.~~

5 *SEC. 29.* No reimbursement is required by this act pursuant to
6 Section 6 of Article XIII B of the California Constitution because
7 the only costs that may be incurred by a local agency or school
8 district will be incurred because this act creates a new crime or
9 infraction, eliminates a crime or infraction, or changes the penalty
10 for a crime or infraction, within the meaning of Section 17556 of
11 the Government Code, or changes the definition of a crime within
12 the meaning of Section 6 of Article XIII B of the California
13 Constitution.

O

**DEPARTMENT OF CONSUMER AFFAIRS**

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**Attachment 2****CBA's Legislative Proposal Regarding BPC Section 5055****5055. Designation of recipient of certificate and permit as certified public accountant**

Any person who has received from the board a certificate of certified public accountant, or who is authorized to practice public accountancy in California under Article 5.1 of this chapter, may, subject to Section 5051, be styled and known as a "certified public accountant" and may also use the abbreviation "C.P.A." No other person, except a firm registered under this chapter, shall assume or use that title, designation, or abbreviation or any other title, designation, sign, card, or device tending to indicate that the person using it is a certified public accountant.



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April 1, 2015

Attachment 3

The Senate Committee on Business,
Professions and Economic Development
Senator Jerry Hill, Chair
State Capitol
Sacramento, CA 95814

Bill: SB 799
Position: SUPPORT

Dear Senator Hill,

At its March 19, 2015, meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 799 with respect to the proposed language to amend the Accountancy Act.

SB 799 would clarify the restoration requirements of a license placed in retired status and would also recast and strengthen the requirements for an out-of-state licensee applicant by changing the requirement from holds a "valid and unrevoked" license to mean "current, active, and unrestricted" license.

The CBA is in support of these changes and would like to thank the Committee for authoring this important bill.

Sincerely,

A handwritten signature in black ink that reads 'Jose A. Campos'.

Jose A. Campos, CPA
President

c: Assembly Member Susan Bonilla, Chair, Assembly Business and Professions Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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June 19, 2015

Assembly Business and Professions Committee
Assembly Member Susan Bonilla, Chair
State Capitol
Sacramento, CA 95814

Bill: SB 799
Position: SUPPORT

Dear Assembly Member Bonilla,

At its March 19, 2015, meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 799 with respect to the proposed language to amend the Accountancy Act.

SB 799 would clarify the restoration requirements of a license placed in retired status and would also recast and strengthen the requirements for an out-of-state licensee applicant by changing the requirement from holds a "valid and unrevoked" license to mean "current, active, and unrestricted" license.

The CBA is in support of these changes and would like to thank the Committee for its consideration of this important bill.

Sincerely,

A handwritten signature in black ink that reads 'Jose A. Campos'.

Jose A. Campos, CPA
President

c: Senator Jerry Hill, Chair, Senate Committee on Business, Professions and Economic Development
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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**LC Item IV.A.**

July 23, 2015

CBA Item X.A.4.a.

July 22-23, 2015

**CALIFORNIA BOARD OF ACCOUNTANCY LEGISLATIVE ANALYSIS
 AB 1351**

Subject:	Deferred entry of judgment: pretrial diversion	Version	6/1/15
Author:	Eggman	Status:	Senate Public Safety
Sponsor:	Immigrant Legal Resource Center (ILRC)		
Co-Sponsors:	American Civil Liberties Union of California Drug Policy Alliance Coalition for Humane Immigrant Rights of Los Angeles Mexican American Legal Defense and Education Fund (MALDEF) National Council of La Raza		

Action(s) Needed

The California Board of Accountancy (CBA) will be asked to consider whether it wishes to take a position on Assembly Bill (AB) 1351.

Summary

This bill would change the existing deferred entry of judgment (DEJ) program, for specified offenses involving personal use or possession of controlled substances, into a pretrial drug diversion program.

Background

According to the author, "This bill seeks to limit harsh consequences to immigrants by changing the current process for nonviolent, misdemeanor drug offenses from DEJ to pretrial diversion. While the current DEJ process eliminates a conviction if a defendant successfully completes DEJ, the defendant may still face federal consequences, including deportation if the defendant is undocumented, or the prohibition from becoming a United States (U.S.) citizen if the defendant is a legal permanent resident." The author also believes that even U.S. citizens may face federal consequences under the present DEJ system, including loss of federal housing and educational benefits.

Analysis

Under the existing DEJ program, an eligible defendant may have entry of judgment deferred, upon pleading guilty to the offenses charged and entering a drug treatment program for 18 months to 3 years. If the defendant does not perform satisfactorily in the program, does not benefit from the program, is convicted of specified crimes, or engages in criminal activity rendering him or her unsuitable for deferred entry of

judgment, the defendant's guilty plea is entered and the court enters judgment and proceeds to schedule a sentencing hearing. If the defendant completes the program, the criminal charges are dismissed and the defendant may indicate in response to any question concerning his or her prior criminal record that he or she was not arrested or granted pretrial diversion for the offense.

Pretrial diversion, on the other hand, provides that a defendant's participation in pretrial diversion shall not constitute a conviction or an admission of guilt in any action or proceeding. It also states that if the court determines that it is appropriate, the court shall grant pretrial diversion if the defendant pleads not guilty to the charges and waives the right to a speedy trial and to a speedy preliminary hearing, if applicable. To be eligible for diversion:

- a) the defendant must not have a prior conviction for any offense involving a controlled substance other than the offenses that may be diverted as specified;
- b) the offense charged must not have involved a crime of violence or threatened violence;
- c) there must be no evidence of a violation relating to narcotics or restricted dangerous drugs other than a violation of an offense that may be diverted; and
- d) the defendant must not have any prior convictions for a serious or violent felony, as defined, within five years prior to the alleged commission of the charged offense.

Under the pretrial diversion program created by this bill, a qualifying defendant would enter a not guilty plea, court proceedings would be suspended, and the defendant would enter a treatment program for six months to one year, or longer if requested by the defendant with good cause. If the defendant does not perform satisfactorily in the treatment program, or is convicted of specified crimes, the court would terminate the program and the criminal proceedings would be reinstated. If the defendant completes the program, the criminal charges would be dismissed.

Additionally, under pretrial diversion proposed by this bill, the minimum time allowed prior to dismissal of the case would be six months, rather than 18 months under the present DEJ program, and the maximum time the proceedings in the case could be suspended is one year, rather than three years.

If it appears to the prosecuting attorney, the court, or the probation department that the defendant is performing unsatisfactorily in the assigned program, or that the defendant is convicted of an offense that reflects the defendant's propensity for violence, or the defendant is convicted of a felony, the prosecuting attorney, the court on its own, or the probation department may make a motion for termination of pre-trial diversion and reinstate the criminal charges and schedule the matter for further proceedings. If the

defendant successfully completes pretrial diversion, the criminal charge or charges shall be dismissed and shall be deemed to have never occurred.

Under the proposed pretrial diversion program, it would be possible that the CBA may never learn about an applicant's arrest and completion of a pretrial diversion program. As for its licensees, the CBA would most likely be notified of arrests through criminal offender record information provided by the Department of Justice¹.

In 2014, the CBA took an oppose position on a bill related to license denial, AB 2396 (Chapter 737, Statutes of 2014). The bill was passed and signed by the Governor, and amended BPC section 480 to prohibit the CBA (and other licensing boards) from denying a license based solely on a conviction that has been dismissed and requires that an applicant provide proof of the dismissal. When the CBA discussed AB 2396 at its May 2014 meeting, it took an oppose position because the bill would remove license denial in these cases and an enforcement tool for consumer protection (**Attachment 2**).

As the CBA considers whether to take a position on AB 1351, it should be noted that unlike AB 2396, this bill centers on the issue of the present deferred entry of judgment program. Additionally, whether it is through the present DEJ or proposed pretrial diversion program, both provide the defendant an opportunity through the court system to complete a treatment program and dismiss charges if s/he successfully completes the program.

Fiscal Estimate

According to the Assembly Appropriations Committee, there would be minor and absorbable costs to trial courts.

Recommendation

Staff recommend that the CBA take a Watch position on this bill.

Support/Opposition

Support: American Civil Liberties Union of California (Co-Sponsor)
Coalition for Humane Immigrant Rights of Los Angeles (Co-Sponsor)
Mexican American Legal Defense and Education Fund (Co-Sponsor)
National Council of La Raza (Co-Sponsor)
African Advocacy Network
Asian Americans Advancing Justice – Asian Law Caucus
Asian Americans Advancing Justice – L.A.
Asian Law Alliance
California Attorneys for Criminal Justice
California Immigrant Policy Center
California Partnership

¹ This does not include individuals that were licensed prior to 1998 that have not completed the retroactive fingerprinting requirement due to having an inactive license, nor licensees with military or retired status.

California Public Defenders Association
California Rural Legal Assistance Foundation
Californians for Safety and Justice
Californians United for a Responsible Budget
Central American Resource Center – Los Angeles
Chinese for Affirmative Action
Community United Against Violence
Congregations Building Community
Del Sol Group
Dolores Street Community Services
Faith in Action Kern County
Friends Committee on Legislation of California
Harvey Milk LGBT Democratic Club
Human Rights Watch
Immigration Action Group
Institute for Justice
Lawyers' Committee for Civil Rights of the San Francisco Bay Area
Legal Services for Prisoners with Children
Los Angeles Regional Reentry Partnership
Justice Not Jails
MAAC
Mujeres Unidas y Activas
National Association of Social Workers – California Chapter
National Day Laborer Organizing Network
National Immigration Law Center
Pangea Legal Services
PICO California
Placer People of Faith
Presente.org
Progressive Christians Uniting
Red Mexicana de Lideres y Organizaciones Migrantes
Santa Clara County Public Defender's Office
Silicon Valley De-Bug
Solutions for Immigrants
William C. Velasquez Institute
Vital Immigrant Defense Advocacy and Services (VIDAS)
One private individual

Opposition: California District Attorneys Association
California State Board of Pharmacy
California State Sheriffs' Association

Effective/Operative Date
January 1, 2016

Related Bills

- AB 1352 (Eggman) 2015-2016 Legislative Session. This bill would require a court to allow a defendant to withdraw his or her guilty or nolo contendere plea and thereafter dismiss the case upon a finding that the case was dismissed after the defendant completed DEJ and that the plea may result in the denial or loss to the defendant, as specified.
- AB 813 (Gonzales) 2015-2016 Legislative Session. This bill would create an avenue of post-conviction relief for a person to vacate a conviction or sentence based on error damaging the petitioner's ability to meaningfully understand, defend against, or knowingly accept the immigration consequences of the conviction.
- AB 2396 (Bonta), Chapter 737, Statutes of 2014, prohibits a board within the Department of Consumer Affairs from denying a license based solely on a conviction that has been dismissed pursuant to the above provisions. The bill would require an applicant who has a conviction that has been dismissed pursuant to the above provisions to provide proof of the dismissal.
- SB 1369 (Kopp), Chapter 1132, Statutes of 1996, changed the diversion program for drug offenders to a deferred entry of judgment program. Increased the time allowed before a case can be dismissed from a period of no less than six months to two years, to a period of no less than 18 months to 3 years.

Attachments

1. AB 1351
2. AB 2396 Letter of Opposition

AMENDED IN ASSEMBLY JUNE 1, 2015

AMENDED IN ASSEMBLY APRIL 16, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1351

Introduced by Assembly Member Eggman
(Coauthor: Senator Hall)

February 27, 2015

An act to amend Sections 1000, 1000.1, 1000.2, 1000.3, 1000.4, 1000.5, and 1000.6 of the Penal Code, relating to deferred entry of judgment.

LEGISLATIVE COUNSEL'S DIGEST

AB 1351, as amended, Eggman. Deferred entry of judgment: pretrial diversion.

Existing law allows individuals charged with specified crimes to qualify for deferred entry of judgment. A defendant qualifies if he or she has no conviction for any offense involving controlled substances, the charged offense did not involve violence, there is no evidence of a violation relating to narcotics or restricted dangerous drugs other than a violation that qualifies for the program, the defendant's record does not indicate that probation or parole has ever been revoked without being completed, and the defendant's record does not indicate that he or she has been granted diversion, deferred entry of judgment, or was convicted of a felony within 5 years prior to the alleged commission of the charged offense.

Under the existing deferred entry of judgment program, an eligible defendant may have entry of judgment deferred, upon pleading guilty to the offenses charged and entering a drug treatment program for 18

months to 3 years. If the defendant does not perform satisfactorily in the program, does not benefit from the program, is convicted of specified crimes, or engages in criminal activity rendering him or her unsuitable for deferred entry of judgment, the defendant’s guilty plea is entered and the court enters judgment and proceeds to schedule a sentencing hearing. If the defendant completes the program, the criminal charges are dismissed. Existing law allows the presiding judge of the superior court, with the district attorney and public defender, to establish a pretrial diversion drug program.

This bill would change the deferred entry of judgment program into a pretrial diversion program. Under the pretrial diversion program created by this bill, a defendant would qualify if he or she has no prior conviction for any offense involving controlled substances other than the offenses that qualify for diversion, the charged offense did not involve violence, there is no evidence of a violation relating to narcotics or restricted dangerous drugs other than a violation that qualifies for the program and the defendant has no prior conviction for a serious or violent felony within 5 years prior to the alleged commission of the charged offense.

Under the pretrial diversion program created by this bill, a qualifying defendant would ~~not enter a guilty plea, but instead~~ *enter a not guilty plea, and* would suspend the proceedings in order to enter a drug treatment program for 6 months to ~~one year.~~ *year, or longer if requested by the defendant with good cause.* If the defendant does not perform satisfactorily in the program or is convicted of specified crimes, the court would terminate the program and the criminal proceedings would be reinstated. If the defendant completes the program, the criminal charges would be dismissed.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1000 of the Penal Code is amended to
 2 read:
 3 1000. (a) This chapter shall apply whenever a case is before
 4 any court upon an accusatory pleading for a violation of Section
 5 11350, 11357, 11364, or 11365, paragraph (2) of subdivision (b)
 6 of Section 11375, Section 11377, or Section 11550 of the Health
 7 and Safety Code, or subdivision (b) of Section 23222 of the Vehicle

1 Code, or Section 11358 of the Health and Safety Code if the
2 marijuana planted, cultivated, harvested, dried, or processed is for
3 personal use, or Section 11368 of the Health and Safety Code if
4 the narcotic drug was secured by a fictitious prescription and is
5 for the personal use of the defendant and was not sold or furnished
6 to another, or subdivision (d) of Section 653f if the solicitation
7 was for acts directed to personal use only, or Section 381 or
8 subdivision (f) of Section 647 of the Penal Code, if for being under
9 the influence of a controlled substance, or Section 4060 of the
10 Business and Professions Code, and it appears to the prosecuting
11 attorney that, except as provided in subdivision (b) of Section
12 11357 of the Health and Safety Code, all of the following apply
13 to the defendant:

14 (1) The defendant has no prior conviction for any offense
15 involving controlled substances other than the offenses listed in
16 this subdivision.

17 (2) The offense charged did not involve a crime of violence or
18 threatened violence.

19 (3) There is no evidence of a violation relating to narcotics or
20 restricted dangerous drugs other than a violation of the sections
21 listed in this subdivision.

22 (4) The defendant has no prior conviction within five years prior
23 to the alleged commission of the charged offense for a serious
24 felony, as defined in subdivision (c) of Section 1192.7, or a violent
25 felony, as defined in subdivision (c) of Section 667.5.

26 (b) The prosecuting attorney shall review his or her file to
27 determine whether or not paragraphs (1) to (4), inclusive, of
28 subdivision (a) apply to the defendant. If the defendant is found
29 eligible, the prosecuting attorney shall file with the court a
30 declaration in writing or state for the record the grounds upon
31 which the determination is based, and shall make this information
32 available to the defendant and his or her attorney. This procedure
33 is intended to allow the court to set the hearing for pretrial diversion
34 of judgment at the arraignment. If the defendant is found ineligible
35 for pretrial diversion, the prosecuting attorney shall file with the
36 court a declaration in writing or state for the record the grounds
37 upon which the determination is based, and shall make this
38 information available to the defendant and his or her attorney. The
39 sole remedy of a defendant who is found ineligible for pretrial
40 diversion is a postconviction appeal.

1 (c) All referrals for pretrial diversion granted by the court
2 pursuant to this chapter shall be made only to programs that have
3 been certified by the county drug program administrator pursuant
4 to Chapter 1.5 (commencing with Section 1211) of Title 8, or to
5 programs that provide services at no cost to the participant and
6 have been deemed by the court and the county drug program
7 administrator to be credible and effective. The defendant may
8 request to be referred to a program in any county, as long as that
9 program meets the criteria set forth in this subdivision.

10 (d) Pretrial diversion for an alleged violation of Section 11368
11 of the Health and Safety Code shall not prohibit any administrative
12 agency from taking disciplinary action against a licensee or from
13 denying a license. Nothing in this subdivision shall be construed
14 to expand or restrict the provisions of Section 1000.4.

15 (e) Any defendant who is participating in a program referred to
16 in this section may be required to undergo analysis of his or her
17 urine for the purpose of testing for the presence of any drug as part
18 of the program. However, ~~urine analysis~~ *urinalysis* results shall
19 not be admissible as a basis for any new criminal prosecution or
20 proceeding.

21 SEC. 2. Section 1000.1 of the Penal Code is amended to read:

22 1000.1. (a) If the prosecuting attorney determines that this
23 chapter may be applicable to the defendant, he or she shall advise
24 the defendant and his or her attorney in writing of that
25 determination. This notification shall include all of the following:

26 (1) A full description of the procedures for pretrial diversion.

27 (2) A general explanation of the roles and authorities of the
28 probation department, the prosecuting attorney, the program, and
29 the court in the process.

30 (3) A clear statement that the court may grant pretrial diversion
31 with respect to any crime specified in subdivision (a) of Section
32 1000 that is charged, provided that the defendant *pleads not guilty*
33 *to the charge or charges*, waives the right to a speedy preliminary
34 hearing, if applicable, and that upon the defendant's successful
35 completion of a program, as specified in subdivision (c) of Section
36 1000, the positive recommendation of the program authority and
37 the motion of the defendant, prosecuting attorney, the court, or the
38 probation department, but no sooner than six months and no later
39 than one year from the date of the defendant's referral to the

1 program, the court shall dismiss the charge or charges against the
2 defendant.

3 (4) A clear statement that upon any failure of treatment or
4 condition under the program, or any circumstance specified in
5 Section 1000.3, the prosecuting attorney or the probation
6 department or the court on its own may make a motion to the court
7 to terminate pretrial diversion and schedule further proceedings
8 as otherwise provided in this code.

9 (5) An explanation of criminal record retention and disposition
10 resulting from participation in the pretrial diversion program and
11 the defendant's rights relative to answering questions about his or
12 her arrest and pretrial diversion following successful completion
13 of the program.

14 (b) If the defendant consents and waives his or her right to a
15 speedy trial and a speedy preliminary hearing, if applicable, the
16 court may refer the case to the probation department or the court
17 may summarily grant pretrial diversion. When directed by the
18 court, the probation department shall make an investigation and
19 take into consideration the defendant's age, employment and
20 service records, educational background, community and family
21 ties, prior controlled substance use, treatment history, if any,
22 demonstrable motivation, and other mitigating factors in
23 determining whether the defendant is a person who would be
24 benefited by education, treatment, or rehabilitation. The probation
25 department shall also determine which programs the defendant
26 would benefit from and which programs would accept the
27 defendant. The probation department shall report its findings and
28 recommendations to the court. The court shall make the final
29 determination regarding education, treatment, or rehabilitation for
30 the defendant. If the court determines that it is appropriate, the
31 court shall grant pretrial diversion if the defendant *pleads not guilty*
32 *to the charge or charges and* waives the right to a speedy trial and
33 to a speedy preliminary hearing, if applicable.

34 (c) (1) No statement, or any information procured therefrom,
35 made by the defendant to any probation officer or drug treatment
36 worker, that is made during the course of any investigation
37 conducted by the probation department or treatment program
38 pursuant to subdivision (b), and prior to the reporting of the
39 probation department's findings and recommendations to the court,

1 shall be admissible in any action or proceeding brought subsequent
2 to the investigation.

3 (2) No statement, or any information procured therefrom, with
4 respect to the specific offense with which the defendant is charged,
5 that is made to any probation officer or drug program worker
6 subsequent to the granting of pretrial diversion shall be admissible
7 in any action or proceeding.

8 (d) A defendant's participation in pretrial diversion pursuant to
9 this chapter shall not constitute a conviction or an admission of
10 guilt for any purpose.

11 SEC. 3. Section 1000.2 of the Penal Code is amended to read:

12 1000.2. (a) The court shall hold a hearing and, after
13 consideration of any information relevant to its decision, shall
14 determine if the defendant consents to further proceedings under
15 this chapter and if the defendant should be granted pretrial
16 diversion. If the defendant does not consent to participate in pretrial
17 diversion the proceedings shall continue as in any other case.

18 (b) At the time that pretrial diversion is granted, any bail bond
19 or undertaking, or deposit in lieu thereof, on file by or on behalf
20 of the defendant shall be exonerated, and the court shall enter an
21 order so directing.

22 (c) The period during which pretrial diversion is granted shall
23 be for no less than six months nor longer than one year. *However,*
24 *the defendant may request and the court shall grant, for good*
25 *cause shown, an extension of time to complete a program specified*
26 *in subdivision (c) of Section 1000.* Progress reports shall be filed
27 by the probation department with the court as directed by the court.

28 SEC. 4. Section 1000.3 of the Penal Code is amended to read:

29 1000.3. (a) If it appears to the prosecuting attorney, the court,
30 or the probation department that the defendant is performing
31 unsatisfactorily in the assigned program, or that the defendant is
32 convicted of an offense that reflects the defendant's propensity for
33 violence, or the defendant is convicted of a felony, the prosecuting
34 attorney, the court on its own, or the probation department may
35 make a motion for termination from pretrial diversion.

36 (b) After notice to the defendant, the court shall hold a hearing
37 to determine whether pretrial diversion shall be terminated.

38 (c) If the court finds that the defendant is not performing
39 satisfactorily in the assigned program, or the court finds that the
40 defendant has been convicted of a crime as indicated in subdivision

1 (a) the court shall ~~reinstate the criminal charge or charges and~~
2 schedule the matter for further proceedings as otherwise provided
3 in this code.

4 (d) If the defendant has completed pretrial diversion, at the end
5 of that period, the criminal charge or charges shall be dismissed.

6 (e) Prior to dismissing the charge or charges or terminating
7 pretrial diversion, the court shall consider the defendant's ability
8 to pay and whether the defendant has paid a diversion restitution
9 fee pursuant to Section 1001.90, if ordered, and has met his or her
10 financial obligation to the program, if any. As provided in Section
11 1203.1b, the defendant shall reimburse the probation department
12 for the reasonable cost of any program investigation or progress
13 report filed with the court as directed pursuant to Sections 1000.1
14 and 1000.2.

15 SEC. 5. Section 1000.4 of the Penal Code is amended to read:

16 1000.4. (a) Any record filed with the Department of Justice
17 shall indicate the disposition in those cases referred to pretrial
18 diversion pursuant to this chapter. Upon successful completion of
19 a pretrial diversion program, the arrest upon which the defendant
20 was diverted shall be deemed to have never occurred. The
21 defendant may indicate in response to any question concerning his
22 or her prior criminal record that he or she was not arrested or
23 granted pretrial diversion for the offense, except as specified in
24 subdivision (b). A record pertaining to an arrest resulting in
25 successful completion of a pretrial diversion program shall not,
26 without the defendant's consent, be used in any way that could
27 result in the denial of any employment, benefit, license, or
28 certificate.

29 (b) The defendant shall be advised that, regardless of his or her
30 successful completion of the pretrial diversion program, the arrest
31 upon which pretrial diversion was based may be disclosed by the
32 Department of Justice in response to any peace officer application
33 request and that, notwithstanding subdivision (a), this section does
34 not relieve him or her of the obligation to disclose the arrest in
35 response to any direct question contained in any questionnaire or
36 application for a position as a peace officer, as defined in Section
37 830.

38 SEC. 6. Section 1000.5 of the Penal Code is amended to read:

39 1000.5. (a) The presiding judge of the superior court, or a
40 judge designated by the presiding judge, together with the district

1 attorney and the public defender, may agree in writing to establish
2 and conduct a preguilty plea drug court program pursuant to the
3 provisions of this chapter, wherein criminal proceedings are
4 suspended without a plea of guilty for designated defendants. The
5 drug court program shall include a regimen of graduated sanctions
6 and rewards, individual and group therapy, ~~urine analysis~~ *urinalysis*
7 testing commensurate with treatment needs, close court monitoring
8 and supervision of progress, educational or vocational counseling
9 as appropriate, and other requirements as agreed to by the presiding
10 judge or his or her designee, the district attorney, and the public
11 defender. If there is no agreement in writing for a preguilty plea
12 program by the presiding judge or his or her designee, the district
13 attorney, and the public defender, the program shall be operated
14 as a pretrial diversion program as provided in this chapter.

15 (b) The provisions of Section 1000.3 and Section 1000.4
16 regarding satisfactory and unsatisfactory performance in a program
17 shall apply to preguilty plea programs. If the court finds that (1)
18 the defendant is not performing satisfactorily in the assigned
19 program, (2) the defendant is not benefiting from education,
20 treatment, or rehabilitation, (3) the defendant has been convicted
21 of a crime specified in Section 1000.3, or (4) the defendant has
22 engaged in criminal conduct rendering him or her unsuitable for
23 the preguilty plea program, the court shall reinstate the criminal
24 charge or charges. If the defendant has performed satisfactorily
25 during the period of the preguilty plea program, at the end of that
26 period, the criminal charge or charges shall be dismissed and the
27 provisions of Section 1000.4 shall apply.

28 SEC. 7. Section 1000.6 of the Penal Code is amended to read:

29 1000.6. (a) Where a person is participating in a pretrial
30 diversion program or a preguilty plea program pursuant to this
31 chapter, the person shall be allowed, under the direction of a
32 licensed health care practitioner, to use medications including, but
33 not limited to, methadone, buprenorphine, or
34 levoalphacetylmethadol (LAAM) to treat substance use disorders
35 if the participant allows release of his or her medical records to
36 the court presiding over the participant's preguilty plea or pretrial
37 diversion program for the limited purpose of determining whether
38 or not the participant is using such medications under the direction
39 of a licensed health care practitioner and is in compliance with the
40 pretrial diversion or preguilty plea program rules.

1 (b) If the conditions specified in subdivision (a) are met, using
2 medications to treat substance use disorders shall not be the sole
3 reason for exclusion from a pretrial diversion or preguilty plea
4 program. A patient who uses medications to treat substance use
5 disorders and participates in a preguilty plea or pretrial diversion
6 program shall comply with all court program rules.

7 (c) A person who is participating in a pretrial diversion program
8 or preguilty plea program pursuant to this chapter who uses
9 medications to treat substance use disorders shall present to the
10 court a declaration from their health care practitioner, or their
11 health care practitioner's authorized representative, that the person
12 is currently under their care.

13 (d) Urinalysis results that only establish that a person described
14 in this section has ingested medication duly prescribed to that
15 person by his or her physician or psychiatrist, or medications used
16 to treat substance use disorders, shall not be considered a violation
17 of the terms of the pretrial diversion or preguilty plea program
18 under this chapter.

19 (e) Except as provided in subdivisions (a) to (d), inclusive, this
20 section shall not be interpreted to amend any provisions governing
21 diversion programs.



DEPARTMENT OF CONSUMER AFFAIRS
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Attachment 2

June 11, 2014

The Senate Business, Professions and Economic Development Committee
Senator Ted Lieu, Chair
State Capitol
Sacramento, CA 95814

Bill: AB 2396
Position: OPPOSE

Dear Senator Lieu:

At its May 29, 2014 meeting, the California Board of Accountancy (CBA) voted to take an oppose position on AB 2396.

AB 2396 would prohibit a board from denying a license based solely on a conviction that has been dismissed.

The CBA has a provision in Business and Professions Code (BPC) section 5106 which grants the CBA the authority to deny a license based on a conviction irrespective of a subsequent order such as a dismissal. This language allows the CBA to deny, as an example, licensure as a certified public accountant to an individual who has been convicted of crimes such as fraud or embezzlement regardless of whether such a conviction has been expunged.

Because AB 2396 includes the language stating, "notwithstanding any other provisions of this code," AB 2396 would supersede BPC section 5106, and the CBA would no longer be able to protect consumers in this manner. AB 2396 would remove license denial in these cases as an enforcement tool for consumer protection.

For this reason, the CBA has taken an oppose position on AB 2396.

Sincerely,

A handwritten signature in black ink that reads 'Michael M. Savoy'. The signature is written in a cursive style with a large, sweeping 'S' at the end.

Michael M. Savoy, CPA
CBA President

c: Assembly Member Rob Bonta
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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**LC Item IV.B.**

July 23, 2015

CBA Item X.A.4.b.

July 22-23, 2015

CALIFORNIA BOARD OF ACCOUNTANCY LEGISLATIVE ANALYSIS
AB 1352

Subject:	Deferred entry of judgment: withdrawal of plea	Version	5/19/15
Author:	Eggman	Status:	Senate Public Safety
Sponsor:	Immigrant Legal Resource Center (ILRC)		
Co-Sponsors:	American Civil Liberties Union of California Coalition for Humane Immigrant Rights of Los Angeles Mexican American Legal Defense and Education Fund (MALDEF) National Council of La Raza		

Action(s) Needed

The California Board of Accountancy (CBA) will be asked to consider whether it wishes to take a position on Assembly Bill (AB) 1352.

Summary

This bill would require courts to allow certain defendants in cases involving deferred entries of judgment (DEJ) on and after January 1, 1997, to withdrawal their guilty or nolo contendere pleas in order to avoid certain adverse consequences, including denial of a license or certificate.

Background

California has long had special rehabilitative statutes for persons charged with minor drug offenses, such as possession of paraphernalia or a small amount of a drug for personal use. With the passage of Senate Bill (SB) 1396 that took effect on January 1, 1997, the state changed from having a pretrial diversion statute to the current DEJ statute, which requires a guilty or nolo contendere plea. It also increased the time allowed before a case can be dismissed from a period of no less than six months to two years, to a period of no less than 18 months to three years. Penal Code section 1000.4 states that once an individual has successfully completed DEJ, s/he may legally state that s/he has never been arrested or convicted of the crime for which DEJ was completed.

According to the author, this bill would provide a minor expungement procedure to prevent the needless disruption of thousands of California families. The expungement proposed by this bill does not retroactively change the effect of the person's DEJ

disposition under present law. Instead, it will eliminate the disposition as a conviction for federal immigration purposes.

Analysis

This bill would require a court to allow a defendant who was granted DEJ, on or after January 1, 1997, after pleading guilty or nolo contendere to the charged offense, to withdrawal his or her plea and enter a plea of not guilty. It would require the court to dismiss the complaint or information against defendant, if the defendant performs satisfactorily during the DEJ period and the defendant attests that the plea may result in the denial or loss to the defendant of any employment, benefit, license, or certificate, including, but not limited to, causing a noncitizen defendant to potentially be found inadmissible, deportable, or subject to any other kind of adverse immigration consequence. It also directs the Judicial Council to develop a form for use by persons seeking the relief authorized by this bill to attest to the conditions described above.

The CBA receives and reviews criminal offender record information for applicants and licensees in order to protect the public from harm. Presently, the CBA may take action if the individual has entered a guilty or nolo contendere when s/he enters a court mandated diversion program. Once the individual completes the program, however, the CBA cannot use the arrest and there is no conviction because it is set aside or dismissed by the court. Guilty pleas, however, may still be used by the CBA as evidence of an admission of wrongdoing.

This bill would allow a criminal defendant who completed the DEJ program to wipe out any prior plea, retroactively to 1997, which would eliminate the CBA's ability to use a guilty or nolo contendere plea as evidence of an admission of wrongdoing in a disciplinary proceeding.

It should be noted that this bill seeks to achieve the same results as AB 1351, only it does so retroactively. As the CBA considers whether to take a position on this bill, it should be noted that like AB 1351, this bill centers on the issue of the DEJ program, which provides a defendant an opportunity through the court system to complete a treatment program and dismiss charges if s/he successfully completes the program.

Based on legal counsel's interpretation of the bill, the CBA's workload will be impacted during implementation.

Fiscal Estimate

This bill would have minimal and absorbable fiscal impacts on the CBA.

Recommendation

Staff recommend that the CBA take a Watch position on this bill.

Support/Opposition

Support: American Civil Liberties Union of California (Co-Sponsor)
Coalition for Humane Immigrant Rights of Los Angeles (Co-Sponsor)
Mexican American Legal Defense and Education Fund (MALDEF)
(Co-Sponsor)
National Council of La Raza (Co-Sponsor)
African Advocacy Network
Asian Americans Advancing Justice – Asian Law Caucus
Asian Americans Advancing Justice – L.A.
Asian Law Alliance
California Attorneys for Criminal Justice
California Immigrant Policy Center
California Partnership
California Public Defenders Association
California Rural Legal Assistance Foundation
Californians for Safety and Justice
Californians United for a Responsible Budget
Central American Resource Center – Los Angeles
Chinese for Affirmative Action
Community United Against Violence
Congregations Building Community
Del Sol Group
Dolores Street Community Services
Faith in Action Kern County
Friends Committee on Legislation of California
Harvey Milk LGBT Democratic Club
Human Rights Watch
Immigration Action Group
Institute for Justice
Lawyers' Committee for Civil Rights of the San Francisco Bay Area
Legal Services for Prisoners with Children
Los Angeles Regional Reentry Partnership
Justice Not Jails
MAAC
Mujeres Unidas y Activas
National Association of Social Workers – California Chapter
National Day Laborer Organizing Network
National Immigration Law Center
Pangea Legal Services
PICO California
Placer People of Faith
Presente.org
Progressive Christians Uniting
Red Mexicana de Lideres y Organizaciones Migrantes
Santa Clara County Public Defender's Office

Silicon Valley De-Bug
Solutions for Immigrants William C. Velasquez Institute
Vital Immigrant Defense Advocacy and Services (VIDAS)
One private individual

Opposition: California District Attorneys Association
California State Board of Pharmacy
California State Sheriffs' Association

Effective/Operative Date

January 1, 2016

Related Bills

- AB 1351 (Eggman) 2015-2016 Legislative Session. This bill would change the existing deferred entry of judgment program for specified offenses involving personal use or possession of controlled substances into a pretrial drug diversion program that allows for a not guilty plea to be entered.
- AB 813 (Gonzales) 2015-2016 Legislative Session. This bill would create an avenue of post-conviction relief for a person to vacate a conviction or sentence based on error damaging the petitioner's ability to meaningfully understand, defend against, or knowingly accept the immigration consequences of the conviction.
- AB 2396 (Bonta), Chapter 737, Statutes of 2014, prohibits a board within the Department of Consumer Affairs from denying a license based solely on a conviction that has been dismissed pursuant to the above provisions. The bill would require an applicant who has a conviction that has been dismissed pursuant to the above provisions to provide proof of the dismissal.
- SB 1369 (Kopp), Chapter 1132, Statutes of 1996, changed the diversion program for drug offenders to a deferred entry of judgment program. Increased the time allowed before a case can be dismissed from a period of no less than six months to two years, to a period of no less than 18 months to 3 years.

Attachment

AB 1352

AMENDED IN SENATE MAY 19, 2015

AMENDED IN ASSEMBLY APRIL 27, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1352

Introduced by Assembly Member Eggman

February 27, 2015

An act to add Section 1203.43 to the Penal Code, relating to deferred entry of judgment.

LEGISLATIVE COUNSEL'S DIGEST

AB 1352, as amended, Eggman. Deferred entry of judgment: withdrawal of plea.

Existing law allows judgment to be deferred with respect to a defendant who is charged with certain crimes involving possession of controlled substances and who meets certain criteria, including that he or she has no prior convictions for any offense involving controlled substances and has had no felony convictions within the 5 years prior, as specified. Existing law prohibits the record pertaining to an arrest resulting in successful completion of a deferred entry of judgment program from being used in any way that could result in the denial of employment, benefit, license, or certificate.

This bill would require a court to allow a defendant who was granted deferred entry of judgment on or after January 1, 1997, after pleading guilty or nolo contendere to the charged offense, to withdraw his or her plea and enter a plea of not guilty, and would require the court to dismiss the complaint or information against the defendant, if the defendant performed satisfactorily during the deferred entry of judgment period and the defendant ~~shows~~ *attests* that the plea may result in the denial

or loss to the defendant of any employment, benefit, license, or certificate, including, but not limited to, causing a noncitizen defendant to potentially be found inadmissible, deportable, or subject to any other kind of adverse immigration consequence. *The bill would require the Judicial Council to develop a form to allow the defendant to make this attestation. Pursuant to the bill, the completion, signing, and submission of the form with specified documentation would be presumed to satisfy the requirement for the withdrawal of the plea and dismissal of the complaint.*

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1203.43 is added to the Penal Code, to
2 read:

3 1203.43. (a) (1) The Legislature finds and declares that the
4 statement in Section 1000.4, that “successful completion of a
5 deferred entry of judgment program shall not, without the
6 defendant’s consent, be used in any way that could result in the
7 denial of any employment, benefit, license, or certificate”
8 constitutes misinformation about the actual consequences of
9 making a plea in the case of some defendants, including all
10 noncitizen defendants, because the disposition of the case may
11 cause adverse consequences, including adverse immigration
12 consequences.

13 (2) Accordingly, the Legislature finds and declares that based
14 on this misinformation and the potential harm, the defendant’s
15 prior plea is invalid.

16 (b) In any case in which a defendant was granted deferred entry
17 of judgment on or after January 1, 1997, after pleading guilty or
18 nolo contendere to the charged offense, the defendant shall be
19 permitted by the court to withdraw the plea of guilty or nolo
20 contendere and enter a plea of not guilty, and thereafter the court
21 shall dismiss the complaint or information against the defendant,
22 if the defendant ~~shows~~ *attests to* both of the following:

23 (1) The charges were dismissed after the defendant performed
24 satisfactorily during the deferred entry of judgment period.

25 (2) The plea of guilty or nolo contendere may result in the denial
26 or loss to the defendant of any employment, benefit, license, or

1 certificate, including, but not limited to, causing a noncitizen
2 defendant to potentially be found inadmissible, deportable, or
3 subject to any other kind of adverse immigration consequence.

4 *(c) The Judicial Council shall, by June 1, 2016, develop a form*
5 *that allows a defendant to attest to the information described in*
6 *paragraphs (1) and (2) of subdivision (b).*

7 *(d) The defendant shall submit documentation of the dismissal*
8 *of charges or satisfactory participation in, or completion of,*
9 *diversion programming. The completion, signing, and submission*
10 *by the defendant of the form described in subdivision (c) with the*
11 *documentation specified in this subdivision shall be presumed to*
12 *satisfy the requirements for withdrawal of the plea and dismissal*
13 *of the complaint or information against the defendant.*

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LC Item V.
 July 23, 2015

CBA Item X.A.5.
 July 22-23, 2015

CALIFORNIA BOARD OF ACCOUNTANCY LEGISLATIVE ANALYSIS SB 560

Subject:	Licensing boards: unemployment insurance	Version	7/9/15
Author:	Monning	Status:	Assembly
Sponsor:	Contractors State License Board		Appropriations

Action(s) Needed

There is no specific action needed on this agenda item. Senate Bill (SB) 560 is being provided to the California Board of Accountancy (CBA) for informational purposes.

Summary

This bill would require a licensing board to submit personal information regarding its licensees to the Employment Development Department (EDD) in a prescribed form and upon request.

Background

Existing law requires licensing boards to provide specified personal information regarding its licensees to the Franchise Tax Board (FTB) in a prescribed form and at a time the FTB may require. The following information is to be furnished for every licensee:

- (1) Name
- (2) Address or addresses of record
- (3) Federal employer identification number if the licensee is a partnership, or the licensee's individual taxpayer identification number or social security number for all other licensees
- (4) Type of license
- (5) Effective date of license or a renewal
- (6) Expiration date of license
- (7) Whether license is active or inactive, if known
- (8) Whether license is new or a renewal

Analysis

As this information is already furnished to the FTB, staff does not anticipate there to be a significant impact on workload. This bill would simply require that the CBA submit the same list it provides to the FTB, when requested, to the EDD upon request.

SB 560

Page 2 of 2

SB 560 contains other CSLB sponsored provisions related to the Contractors State License Law that are not related to the CBA. As they have no impact on the CBA, staff has not performed a full analysis on these provisions.

Fiscal Estimate

Fiscal impacts associated with providing this information to EDD are minor and absorbable by the CBA.

Recommendation

Staff recommend that the CBA take no position on this bill.

Support/Opposition

Support: Contractors State License Board (sponsor)
Air Conditioning Sheet Metal Association
Air-conditioning & Refrigeration Contractors Association
American Subcontractors Association California, Inc.
California Chapters of the National Electrical Contractors Association
(NECA)
California Legislative Conference of the Plumbing, Heating and Piping
Industry
Finishing Contractors Association of Southern California
Plumbing-Heating-Cooling Contractors Association of California
United Contractors Western Electrical Contractors Association
Western Line Constructors Construction Employers' Association (CEA)

Opposition: None

Effective/Operative Date

January 1, 2016

Related Bills

AB 2554 (Berryhill), Chapter 85, Statutes of 2012, provided CSLB enforcement representatives the authority to issue a notice to appear for violations of contracting laws.

SB 691 (Lieu), Chapter 832, Statutes of 2012, added CSLB to the list of agencies approved to receive payroll information from Employment Development Department.

Attachment

SB 560

AMENDED IN ASSEMBLY JULY 9, 2015
AMENDED IN ASSEMBLY JULY 2, 2015
AMENDED IN ASSEMBLY JUNE 29, 2015
AMENDED IN SENATE APRIL 6, 2015

SENATE BILL

No. 560

Introduced by Senator Monning

February 26, 2015

An act to amend Sections 30, 7011.4, and 7125.4 of the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

SB 560, as amended, Monning. Licensing boards: unemployment insurance.

(1) Existing law provides for the licensure and regulation of various professions and vocations and creates boards, commissions, and bureaus, among other entities, in the Department of Consumer Affairs to this end. The State Bar Act provides for the licensure and regulation of attorneys by the State Bar of California. Existing law requires a licensing board, as defined, including the State Bar, to provide specified personal information regarding licensees to the Franchise Tax Board in a prescribed form and at a time the Franchise Tax Board may require. Existing law creates within the Labor and Workforce Development Agency the Employment Development Department, which administers the unemployment compensation program.

This bill would additionally require a licensing board to submit personal information regarding licensees, described above, to the Employment Development Department.

(2) The Contractors’ State License Law provides for the licensure and regulation of contractors by the Contractors’ State License Board within the Department of Consumer Affairs. The act establishes an enforcement division within the board that is required to enforce prohibitions against all forms of unlicensed activity, as specified.

This bill would authorize the enforcement division to additionally enforce the obligation to secure the payment of valid and current workers’ compensation insurance, as specified. The bill would also state legislative intent that the board develop information on workers’ compensation insurance *premium* fraud, as specified, and share it with the Employment Development Department and the Department of Insurance.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 30 of the Business and Professions Code
 2 is amended to read:
 3 30. (a) (1) Notwithstanding any other law, any board, as
 4 defined in Section 22, and the State Bar and the Bureau of Real
 5 Estate shall, at the time of issuance of the license, require that the
 6 applicant provide its federal employer identification number, if
 7 the applicant is a partnership, or the applicant’s social security
 8 number for all other applicants.
 9 (2) No later than January 1, 2016, in accordance with Section
 10 135.5, a board, as defined in Section 22, and the State Bar and the
 11 Bureau of Real Estate shall require either the individual taxpayer
 12 identification number or social security number if the applicant is
 13 an individual for purposes of this subdivision.
 14 (b) A licensee failing to provide the federal employer
 15 identification number, or the individual taxpayer identification
 16 number or social security number shall be reported by the licensing
 17 board to the Franchise Tax Board. If the licensee fails to provide
 18 that information after notification pursuant to paragraph (1) of
 19 subdivision (b) of Section 19528 of the Revenue and Taxation
 20 Code, the licensee shall be subject to the penalty provided in
 21 paragraph (2) of subdivision (b) of Section 19528 of the Revenue
 22 and Taxation Code.

1 (c) In addition to the penalty specified in subdivision (b), a
2 licensing board shall not process an application for an initial license
3 unless the applicant provides its federal employer identification
4 number, or individual taxpayer identification number or social
5 security number where requested on the application.

6 (d) A licensing board shall, upon request of the Franchise Tax
7 Board or the Employment Development Department, furnish to
8 the board or the department, as applicable, the following
9 information with respect to every licensee:

10 (1) Name.

11 (2) Address or addresses of record.

12 (3) Federal employer identification number if the licensee is a
13 partnership, or the licensee's individual taxpayer identification
14 number or social security number for all other licensees.

15 (4) Type of license.

16 (5) Effective date of license or a renewal.

17 (6) Expiration date of license.

18 (7) Whether license is active or inactive, if known.

19 (8) Whether license is new or a renewal.

20 (e) For the purposes of this section:

21 (1) "Licensee" means a person or entity, other than a
22 corporation, authorized by a license, certificate, registration, or
23 other means to engage in a business or profession regulated by
24 this code or referred to in Section 1000 or 3600.

25 (2) "License" includes a certificate, registration, or any other
26 authorization needed to engage in a business or profession
27 regulated by this code or referred to in Section 1000 or 3600.

28 (3) "Licensing board" means any board, as defined in Section
29 22, the State Bar, and the Bureau of Real Estate.

30 (f) The reports required under this section shall be filed on
31 magnetic media or in other machine-readable form, according to
32 standards furnished by the Franchise Tax Board or the Employment
33 Development Department, as applicable.

34 (g) Licensing boards shall provide to the Franchise Tax Board
35 or the Employment Development Department the information
36 required by this section at a time that the board or the department,
37 as applicable, may require.

38 (h) Notwithstanding Chapter 3.5 (commencing with Section
39 6250) of Division 7 of Title 1 of the Government Code, a federal
40 employer identification number, individual taxpayer identification

1 number, or social security number furnished pursuant to this section
2 shall not be deemed to be a public record and shall not be open to
3 the public for inspection.

4 (i) A deputy, agent, clerk, officer, or employee of a licensing
5 board described in subdivision (a), or any former officer or
6 employee or other individual who, in the course of his or her
7 employment or duty, has or has had access to the information
8 required to be furnished under this section, shall not disclose or
9 make known in any manner that information, except as provided
10 in this section to the Franchise Tax Board or the Employment
11 Development Department or as provided in subdivision (k).

12 (j) It is the intent of the Legislature in enacting this section to
13 utilize the federal employer identification number, individual
14 taxpayer identification number, or social security number for the
15 purpose of establishing the identification of persons affected by
16 state tax laws and for purposes of compliance with Section 17520
17 of the Family Code and, to that end, the information furnished
18 pursuant to this section shall be used exclusively for those
19 purposes.

20 (k) If the board utilizes a national examination to issue a license,
21 and if a reciprocity agreement or comity exists between the State
22 of California and the state requesting release of the individual
23 taxpayer identification number or social security number, any
24 deputy, agent, clerk, officer, or employee of any licensing board
25 described in subdivision (a) may release an individual taxpayer
26 identification number or social security number to an examination
27 or licensing entity, only for the purpose of verification of licensure
28 or examination status.

29 (l) For the purposes of enforcement of Section 17520 of the
30 Family Code, and notwithstanding any other law, a board, as
31 defined in Section 22, and the State Bar and the Bureau of Real
32 Estate shall at the time of issuance of the license require that each
33 licensee provide the individual taxpayer identification number or
34 social security number of each individual listed on the license and
35 any person who qualifies for the license. For the purposes of this
36 subdivision, "licensee" means an entity that is issued a license by
37 any board, as defined in Section 22, the State Bar, the Bureau of
38 Real Estate, and the Department of Motor Vehicles.

39 SEC. 2. Section 7011.4 of the Business and Professions Code
40 is amended to read:

1 7011.4. (a) Notwithstanding Section 7011, there is in the
2 Contractors' State License Board, a separate enforcement division
3 that shall rigorously enforce this chapter prohibiting all forms of
4 unlicensed activity and shall enforce the obligation to secure the
5 payment of valid and current workers' compensation insurance in
6 accordance with Section 3700.5 of the Labor Code.

7 (b) Persons employed as enforcement representatives of the
8 Contractors' State License Board and designated by the Director
9 of Consumer Affairs shall have the authority to issue a written
10 notice to appear in court pursuant to Chapter 5C (commencing
11 with Section 853.5) of Title 3 of Part 2 of the Penal Code. An
12 employee so designated is not a peace officer and is not entitled
13 to safety member retirement benefits as a result of that designation.
14 He or she does not have the power of arrest.

15 (c) When participating in the activities of the Joint Enforcement
16 Strike Force on the Underground Economy pursuant to Section
17 329 of the Unemployment Insurance Code, the enforcement
18 division shall have free access to all places of labor.

19 SEC. 3. Section 7125.4 of the Business and Professions Code
20 is amended to read:

21 7125.4. (a) The filing of the exemption certificate prescribed
22 by this article that is false, or the employment of a person subject
23 to coverage under the workers' compensation laws after the filing
24 of an exemption certificate without first filing a Certificate of
25 Workers' Compensation Insurance or Certification of
26 Self-Insurance in accordance with the provisions of this article, or
27 the employment of a person subject to coverage under the workers'
28 compensation laws without maintaining coverage for that person,
29 constitutes cause for disciplinary action.

30 (b) Any qualifier for a license who, under Section 7068.1, is
31 responsible for assuring that a licensee complies with the provisions
32 of this chapter is also guilty of a misdemeanor for committing or
33 failing to prevent the commission of any of the acts that are cause
34 for disciplinary action under this section.

35 (c) It is the intent of the Legislature that the board, in exercising
36 its duties pursuant to this chapter and as a participant in the Joint
37 Enforcement Strike Force on the Underground Economy, develop
38 information relating to workers' compensation insurance *premium*

- 1 fraud and share that information with the Employment
- 2 Development Department and the Department of Insurance.

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MSG Item II.
July 23, 2015

CBA Item X.B.2.
July 22-23, 2015

The MSG Decision Matrix and Stakeholder Objectives

Presented by: Written Report Only

Purpose of the Item

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with its decision matrix (**Attachment 1**) and stakeholder objectives (**Attachment 2**).

Action(s) Needed

No specific action is required on this agenda item.

Background

At its March 2014 meeting, staff presented the MSG with a plan to maintain a decision matrix in order to track decisions made by the MSG. The purpose for the decision matrix was to assist the MSG and staff in determining what activities have been accomplished and what decisions still remain for discussion.

In addition, the MSG is charged with considering whether the provisions of the California practice privilege law "satisfy the objectives of stakeholders of the accounting profession in this state, including consumers." At its July 2014 meeting, the MSG established two stakeholder objectives and requested that they be provided at future meetings in order that the MSG may continue to revise and add to them as needed.

Comments

Staff will continue to provide the decision matrix and stakeholder objectives as a written report only agenda item unless otherwise directed by the MSG.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. MSG Decision Matrix
2. Stakeholder Objectives



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Attachment 1

MSG Decision Matrix

<u>Date</u>	<u>Decision</u>
March 2014	The MSG will meet three times per year in conjunction with the March, July and November CBA meetings.
March 2014	The MSG will prepare a written report to the CBA at least once per calendar year.
March 2014	The MSG will prepare a final report in time to be considered by the CBA as it prepares its final report to the Legislature which is due January 1, 2018.
November 2014	The MSG adopted the following definition for "stakeholders:" Stakeholders include consumers, licensees, applicants, and professional organizations and groups that have a direct or indirect stake in the CBA because they can affect or be affected by the CBA's actions, objectives, and policies.
March 2015	The MSG approved the timeline for making determinations pursuant to Business and Professions Code (BPC) section 5096.21. The MSG agreed that staff will prepare a letter for each state to notify them of the process the CBA is undertaking and to request specific information that will assist the CBA as it makes the determinations pursuant to BPC section 5096.21. ¹
May 2015	The MSG opined that the National Association of State Boards of Accountancy's Guiding Principles of Enforcement meet or exceed the CBA's enforcement practices.

¹ At its May 28-29, 2015 meeting, the CBA deferred the timeframe for sending the letter to the Executive Officer.



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Attachment 2

Stakeholder Objectives

Date Added or Revised	Objective
July 2014	Help out-of-state licensees know and understand their self-reporting requirements.
July 2014	Assure the CBA that all states have adequate enforcement.



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MSG Item III.
July 23, 2015

CBA Item X.B.3.
July 22-23, 2015

Discussion and Recommendation Regarding the Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21

Presented by: Matthew Stanley, Manager, Examination and Practice Privilege Units

Purpose of the Item

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with an opportunity to discuss items related to the timeline for practice privilege activities (**Attachment 1**) pursuant to Business and Professions Code (BPC) section 5096.21 (**Attachment 2**).

Action(s) Needed

The California Board of Accountancy (CBA) will be asked to approve the proposed timeline.

Background

In 2012, the Legislature revised the practice privilege law to eliminate the requirement for out-of-state licensees to provide notice and fee prior to obtaining a California practice privilege. BPC section 5096.21(a) requires the CBA to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public. If this determination shows the public is at risk, the licensees of those particular states would, following a rulemaking by the CBA, revert back to using the prior practice privilege program with its notice and fee provisions. These determinations are to be made on and after January 1, 2016, and on an ongoing basis. In making the determinations, the CBA is required to consider three factors:

1. Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
2. Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet website to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.

Discussion and Recommendation Regarding the Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21

Page 2 of 2

3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

Alternatively, a state may be allowed to remain under the no notice, no fee practice privilege program under BPC 5096.21(c) if the following four statutory conditions are met:

1. NASBA adopts enforcement best practices guidelines.
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

The initial timeline for this project was approved by the CBA at its March 2015 meeting.

Comments

This agenda item is a standing item to keep members apprised of upcoming activities regarding the determinations made pursuant to BPC section 5096.21. It also serves as an opportunity for members to discuss any of the items on the timeline.

The timeline has been adjusted to reflect the most current information available. Staff determined the timeline based on the following dates and timeframes:

- January 1, 2018 – Final report is due to the Legislature
- January 1, 2019 – Sunset date of the no notice, no fee practice privilege program
- 12 to 18 months – the amount of time normally required to complete the rulemaking process

The timeline may be changed as needed or as directed.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend that the CBA approve the proposed timeline.

Attachment

1. Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21
2. Business and Professions Code section 5096.21



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Attachment 1

Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21

Substantial Equivalence to NASBA's Enforcement Guidelines

Business and Professions Code (BPC) section 5096.21(c) states that a state's licensees may remain in the no notice, no fee practice privilege program if the following four conditions are met:

1. The National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines (Enforcement Guidelines).
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

This portion of the timeline outlines the activities surrounding the CBA's determination of which states' enforcement practices are substantially equivalent to NASBA's Enforcement Guidelines. While the law does not specify a date by which these activities must be concluded, staff developed this timeline keeping in mind the following dates and timeframes:

- January 1, 2018 – Final report is due to the Legislature
- January 1, 2019 – Sunset date of the no notice, no fee practice privilege program
- 12 to 18 months – the amount of time normally required to complete the rulemaking process

These dates are the only firm dates in BPC section 5096.21. There is no firm date by which the CBA must take action to remove a state or states from the no notice, no fee practice privilege program. This allows some flexibility for the CBA to work with an individual state in bringing it to a position where the CBA may indicate that they are substantially equivalent to the NASBA Enforcement Guidelines.

May 28, 2015	NASBA released its final version of its Enforcement Guidelines
May 28, 2015	CBA issued a finding that the NASBA Enforcement Guidelines met the CBA's enforcement practices
July 23, 2015	CBA determines how best to compare other states' enforcement practices with the NASBA Enforcement Guidelines
Summer/Fall 2015	Staff implements the method for comparing other states' enforcement practices with the NASBA Enforcement Guidelines
January 2016	CBA makes its initial determinations of substantial equivalence based on early research provided by the entity to be selected in CBA Agenda Item IX.C.4. (this date may be later if the consultant approach is selected)
September 2016	CBA reviews the final findings provided by the entity performing the research

State-by-State Determinations

After the CBA completes the portion of the timeline regarding substantial equivalence to the NASBA Enforcement Guidelines, there may be states that were not found to be substantially equivalent. If so, these states may still remain under the no notice, no fee practice privilege program if they are allowed to do so by the CBA in the state-by-state determination process.

The CBA must determine whether allowing the licensees of those states to practice in California under a practice privilege violates its duty to protect the public. In doing so, the CBA must consider the three items listed in BPC section 5096.21(b):

1. Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
2. Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.
3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

The CBA is required to make the determinations using these considerations on and after January 1, 2016. The following portion of the timeline outlines the activities

surrounding the CBA's determinations made for those states not found to be substantially equivalent to NASBA's Enforcement Guidelines.

September 2016	Staff requests information to assist the CBA in making the determinations from states not found by the CBA to be substantially equivalent to the NASBA Enforcement Guidelines
March 2017	CBA reviews information provided by those states and identifies any that are at risk of removal from the no notice, no fee practice privilege program
May and July 2017	CBA deliberates on states that should remain or be removed from the no notice, no fee practice privilege program
July 2017	CBA initiates Rulemaking to remove states, where the CBA determines that allowing the licensees of that state to practice in California under a practice privilege violates its duty to protect the public, from the no notice, no fee practice privilege program
November 2017	CBA conducts a public hearing on the Rulemaking and initiates a 15-day notice of changes to include any additional states
July 2017 – January 2019	CBA continues reviewing states regarding whether their licensees should remain or be removed from the no notice, no fee practice privilege program as needed

Practice Privilege Final Report to the Legislature

BPC section 5096.21(f) states:

On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:

- (1) How the board has implemented this article and whether implementation is complete.
- (2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.
- (3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.

At its initial meeting, the Mobility Stakeholder Group (MSG) decided to prepare a final report for the CBA to reference as it prepares its report to the Legislature by January 1, 2018. This portion of the timeline outlines the activities surrounding these reporting requirements.

July 2017	CBA receives the MSG's Final Report
September 2017	CBA reviews its draft Practice Privilege Report to the Legislature
November 2017	CBA approves the final version of the Practice Privilege Report to the Legislature
January 1, 2018	Practice Privilege Report due to the Legislature

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**Attachment 2****Business and Professions Code Section 5096.21****5096.21**

(a) On and after January 1, 2016, if the board determines, through a majority vote of the board at a regularly scheduled meeting, that allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096, violates the board's duty to protect the public, pursuant to Section 5000.1, the board shall require, by regulation, out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to file the notification form and pay the applicable fees as required by former Section 5096, as added by Chapter 921 of the Statutes of 2004, and regulations adopted thereunder.

(b) The board shall, at minimum, consider the following factors in making the determination required by subdivision (a):

(1) Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.

(2) Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.

(3) Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

(c) Notwithstanding subdivision (a), if (1) the National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines, (2) the board, upon a majority vote at a regularly scheduled board meeting, issues a finding after a public hearing that those practices meet or exceed the board's own enforcement practices, (3) a state has in place and is operating pursuant to enforcement practices substantially equivalent to the best practices guidelines, and (4) disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the board to link consumers to an Internet Web site to obtain information at least equal to the information that was previously available to consumers through the practice privilege form filed by out-of-state licensees pursuant to former Section 5096, as added by Chapter 921 of the Statutes of 2004, no practice privilege form shall be required to be filed by any licensee of that state as required by subdivision (a), nor shall the board be required to report on that state to the Legislature as required by subdivision (d).

(d) (1) The board shall report to the relevant policy committees of the Legislature, the director, and the public, upon request, preliminary determinations made pursuant to this section no later than July 1, 2015. The board shall, prior to January 1, 2016, and

thereafter as it deems appropriate, review its determinations made pursuant to subdivision (b) to ensure that it is in compliance with this section.

(2) This subdivision shall become inoperative on July 1, 2017, pursuant to Section 10231.5 of the Government Code.

(e) On or before July 1, 2014, the board shall convene a stakeholder group consisting of members of the board, board enforcement staff, and representatives of the accounting profession and consumer representatives to consider whether the provisions of this article are consistent with the board's duty to protect the public consistent with Section 5000.1, and whether the provisions of this article satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board.

(f) On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:

(1) How the board has implemented this article and whether implementation is complete.

(2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.

(3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.

(g) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.



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MSG Item IV.
July 23, 2015

CBA Item X.B.4.
July 22-23, 2015

Discussion and Decision Regarding the Approach for Comparing State Boards of Accountancy's Enforcement Practices to the National Association of State Boards of Accountancy's Guiding Principles of Enforcement

Presented by: Matthew Stanley, Manager, Examination and Practice Privilege Units

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an opportunity to decide its preferred approach to comparing the enforcement practices of other states to the National Association of State Boards of Accountancy's (NASBA) Guiding Principles of Enforcement (Enforcement Guidelines) (**Attachment 1**).

Action(s) Needed

The CBA will be asked to develop a comprehensive approach by which it will compare other states' enforcement practices to the NASBA Enforcement Guidelines pursuant to Business and Professions Code (BPC) section 5096.21(c)(3). Specifically, the CBA will be asked to:

- Schedule Mobility Stakeholder Group (MSG) meetings in conjunction with CBA meetings until the project is complete
- Approve the concept of a State Information Sheet to be used by a consultant or staff in conducting the research
- Add a question to the State Information Sheet to determine whether a state makes the disciplinary history of its licensees publicly available through the Internet
- Choose which approach it would prefer for performing the research, and if a combination of options is selected, that the CBA identify which states each entity is responsible for researching

Staff recommend that the CBA makes these decisions at the conclusion of the presentation by staff in order that all factors and discussions by members may be considered prior to making these decisions.

Background

BPC section 5096.21 (**Attachment 2**), specifically subdivision (a), requires the CBA to determine on and after January 1, 2016 whether allowing individuals from a particular

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state to practice in California pursuant to a practice privilege violates its duty to protect the public.

Alternatively, a state may be allowed to remain under the no notice, no fee practice privilege program under BPC 5096.21(c) if the following four statutory conditions are met:

1. NASBA adopts enforcement best practices guidelines.
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

The first condition was fulfilled when NASBA released its final Enforcement Guidelines in May 2015.

The second condition was fulfilled when the CBA issued a finding that those practices met the CBA's own enforcement practices at its May 28-29, 2015 meeting.

In this agenda item, the CBA will lay the groundwork for the third condition, determining whether a state's enforcement practices will be considered substantially equivalent to the NASBA Enforcement Guidelines.

The fourth condition requires a state to provide, on the Internet, disciplinary history equal to the information previously available on California's practice privilege form. The prior form (**Attachment 3**) identified disciplinary history by asking a question as to whether the applicant had a license, registration, permit or authority to practice a profession surrendered, denied, suspended, revoked, or otherwise disciplined or sanctioned.

It should be noted that the disclosure of disciplinary history on the Internet is separate from the substantial equivalence determination in the third condition. Although a state may be found substantially equivalent to the NASBA Enforcement Guidelines, it cannot remain under the no notice, no fee practice privilege program if the disciplinary history of its licensees is not made publicly available through the Internet.

Comments

The CBA is being asked to develop an approach to compare other states' enforcement programs to the NASBA Enforcement Guidelines. Since a project of this size may

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require feedback, direction, and updates as it progresses, staff recommend that the CBA have the Mobility Stakeholder Group (MSG) meet in conjunction with each scheduled CBA meeting until the project is complete. The MSG currently meets in conjunction with the CBA's March, July and November meetings.

In order to ascertain whether a state's enforcement practices are substantially equivalent to the NASBA Enforcement Guidelines pursuant to BPC section 5096.21(c)(3), the CBA must assess the enforcement guidelines that a jurisdiction has in place, and is following, and compare those to the NASBA Enforcement Guidelines. Staff have identified possible options by which the CBA may wish to undertake this assessment.

The options include contracting with a consultant to conduct the research, staff conducting the research, requesting that NASBA conduct the research, or employing a combination of these options. It is anticipated the CBA, MSG, and staff will remain actively involved throughout the process.

Regardless of the method selected, a number of factors have been identified that the CBA will need to consider as it selects the best approach to this project:

- Different states have various governmental structures that are not the same as California's. For example, Licensing and Enforcement powers may be centralized (as in California), or they may be spread over multiple entities (as in New York).
- The knowledge and ability to provide all of the information required for this project may not reside with a single person at a board. The research process may involve a significant amount of time identifying the appropriate people with whom to talk.
- Before providing responses to any kind of survey, some states may require board or legal approval of the responses resulting in delays in receiving information.
- Some states may be reluctant or legally unable to disclose certain information that may be needed. The research data provided to the CBA during this project would be discussed at the CBA's public meetings and would be subject to requests made pursuant to the Public Records Act.
- In the final report to the Legislature due on January 1, 2018, and possibly during testimony to extend or remove the sunset date from the no notice, no fee practice privilege program during 2018, the CBA is required to explain how it implemented the law. This could include answering specific questions as to the process of how it reached its decisions regarding whether certain states should remain under the current no notice, no fee practice privilege program and the data that it relied upon.
- While there are several dates and deadlines mentioned in this agenda item, it should be noted that the only firm dates in BPC section 5096.21 are January 1,

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2018 when the final report is due to the Legislature; and January 1, 2019 when the no notice, no fee practice privilege program sunsets. There is no firm date by which the CBA must take action to remove a state or states from the program. This allows some flexibility for the CBA to work with an individual state in bringing it to a position of being substantially equivalent to the NASBA Enforcement Guidelines, or determine that allowing the licensees of that state to practice in California under a practice privilege does not violate its duty to protect the public.

The CBA may wish to have the research conducted using a set of survey questions which would guide the research through the NASBA Enforcement Guidelines and other information requested by the CBA. The proposed State Information Sheet (**Attachment 4**), which includes the survey questions, is presented to the CBA to be used as a starting point for discussion and to be refined to suit the needs of the project. The questions that were requested by the CBA during its previous 2015 meetings appear in the final section of the information sheet. The State Information Sheet also provides the entity performing the research with an opportunity to offer an opinion on each of the answers provided by the states as to whether the answer meets, needs more information, or does not meet the corresponding guideline in the NASBA Enforcement Guidelines.

Currently, the State Information Sheet shows how the questions would be organized by the five main categories listed in the NASBA Enforcement Guidelines, and a sample of the questions to be asked is listed under each category. While the remainder of the questions are not yet listed, if the concept of the State Information Sheet is approved by the CBA, staff would fill in the remainder of the questions to ensure that each data point in the NASBA Enforcement Guidelines has a corresponding question in the survey.

The State Information Sheet would only be used if the Consultant or staff approaches are selected to perform research by the CBA. If NASBA is selected to perform the research, it would rely on another set of objectives that are presented later in this paper.

Staff recommend adding a question to the "CBA Requested Items" section on page six of **Attachment 4** in order to determine whether a state makes the disciplinary history of its licensees publicly available through the Internet. Adding this question will allow the CBA to determine whether a state meets the fourth condition of BPC 5096.21(c) regarding the availability of disciplinary history on the Internet at the same time as it is evaluating a state on the third condition regarding substantial equivalence. Finally, staff are asking that the CBA finalize the "CBA Requested Items" and recommend that the CBA approve the concept of the State Information Sheet for use by a consultant or staff during the research phase of this project.

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Consultant

Approach

If the CBA selects a consultant as the method to conduct the research, it will need to enter into a contract with an individual or group to contact the 54 states¹ in order to ascertain the enforcement practices of each as they relate to the NASBA Enforcement Guidelines. The consultant would use the proposed State Information Sheet, or other means if the State Information Sheet concept is not adopted, to gather the needed information and to opine as to how each state's enforcement practices compare to the NASBA Enforcement Guidelines.

Deliverables

The consultant would be available at future meetings where the research was to be discussed in order to answer any questions the CBA may have. The consultant would provide the CBA with the completed State Information Sheets. In addition, the consultant would be available to perform any follow up research the CBA may request.

Timeline

Due to the timeframes associated with the contracting process, it is not clear when a consultant would be able to provide initial information to the CBA. However, a consultant would need to deliver the data and opinions on the State Information Sheets for CBA consideration no later than July 31, 2016 in order for the CBA to consider the information at its September 2016 meeting as discussed in **CBA Agenda Item IX.C.3**. Due to the three to six month timeframe to get a contract in place, the contractor would have approximately six months to complete the research. The deliverable date of July 31, 2016 is based on an extended contracting process. Should the contracting process be shorter, both the deliverable date and the opportunity for any follow up would also be adjusted.

Next Steps

Staff would begin the process of locating a suitable contractor who will have the necessary professional experience, appropriate resources, and the ability to potentially travel to states that do not respond to traditional communication. Depending on the work to be performed, the contracting process can be complex and include preparation of a Scope of Work, solicitation of bid proposals, drafting a contract, approval by the Department of Consumer Affairs and the Department of General Services, and execution of the contract. The fiscal impact is unknown at this time and would be dependent on the final scope of work to be outlined in the roles and responsibilities document.

¹ Pursuant to BPC section 5032, "state" means any state, territory or insular possession of the United States, or the District of Columbia.

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Advantages

- Research data would be available to the CBA when preparing the final report to the Legislature or answering legislative questions
- Contract can hold consultant to a specific timeframe once it is in place
- Staff would not need to be redirected to perform the task
- Independent research and conclusions display to the Legislature that there was no bias in the process

Disadvantages

- State contracting process can be complex and lengthy (minimum of three to six months)
- Costs associated with the contract
- Unfamiliarity with the practice privilege program, law or legislative requirements resulting in additional time to gain a general familiarity
- Out-of-state travel, if needed, would require approval from the Governor's Office
- Some states may be reluctant or legally unable to disclose certain necessary information to the consultant, allowing it to be discussed at public CBA meetings or disclosed through a Public Records Act request

CBA Staff

Approach

If the CBA selects staff as the method to conduct the research, staff will contact the other 54 states to ascertain enforcement practices as they relate to the NASBA Enforcement Guidelines. Staff would utilize various methods of contact with the goal of obtaining complete responses. Initially, staff would send out an email directing states to an online survey. This would be followed with phone calls for non-responsive states. If there are states that do not want to provide information or documents but would be willing to allow physical access to such items, travel out-of-state may be necessary as a final option. Historically, not every state responds to inquiries from other states. Staff would complete the State Information Sheet using the information obtained.

Deliverables

Staff would provide the CBA with the State Information Sheets as they are completed beginning at its January 2016 meeting. All responses and staff opinions would be placed on the State Information Sheets.

Timeline

The initial State Information Sheets would be provided for consideration at the CBA's January 2016 meeting. As more responses are received, staff will provide ongoing

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updates through the September 2016 CBA meeting as proposed in **CBA Agenda Item IX.C.3.**²

Next Steps

Staff would begin the process of composing the online survey in preparation for sending it to the 54 other states. Staff will bring updates regarding the progress on the survey to the CBA's September and November 2015 meetings in anticipation of the January 2016 delivery of the initial research.

Advantages

- Research data would be available to the CBA when preparing the final report to the Legislature or answering legislative questions
- The CBA maintains full responsibility for the questions being asked and any potential follow-up
- No additional costs

Disadvantages

- This is a large project which may require significant time to complete resulting in potential redirection of staff
- Out-of-state travel, if needed, would require approval from the Governor's Office
- Some states may be reluctant or legally unable to disclose certain necessary information to staff, allowing it to be discussed at public CBA meetings or disclosed through a Public Records Act request

NASBA

Approach

If the CBA selects NASBA as the method to conduct the research, NASBA will be responsible for gathering the information needed to assess the substantial equivalency of each state. NASBA would rely, in large part, on data it previously gathered during the drafting of the NASBA Enforcement Guidelines. In addition to data already gathered, NASBA will collect additional information through email, phone calls, and travel to meet with other states, to allow it to obtain sufficient information to make a determination of whether a board of accountancy's enforcement practices are substantially equivalent to the NASBA Enforcement Guidelines.

In order to encourage candor and open discussions with the boards, NASBA would honor the confidentiality of any direct communication with the boards and will retain the data collected during this process. Because of this, NASBA would not use the questions on the State Information Sheet, including the CBA Requested Items. As an

² The CBA may continue, beyond this date, to work with individual states in bringing them to a position of being substantially equivalent to the NASBA Enforcement Guidelines.

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alternative, NASBA is proposing using its "Objectives for Substantial Equivalency Evaluation" (**Attachment 5**) when reviewing the enforcement practices of each state. NASBA will analyze each board's enforcement program to determine whether the program meets the objectives listed in **Attachment 5**. Following this analysis, NASBA would determine each state's substantial equivalence to the NASBA Enforcement Guidelines.

NASBA has communicated to staff that it recognizes that the enforcement practices of each state will vary based on many factors that are specific to the particular board, such as number of licensees, number of complaints and cases, authority vested in the board, delegation of certain phases of enforcement to other agencies, and interaction with an umbrella agency. Therefore, NASBA believes the review of each board's enforcement practices must be a subjective analysis of each state's statutes, rules, and practices to decide whether, collectively, they create an enforcement practice that reflects the objectives of its Enforcement Guidelines.

NASBA has a long history of making substantial equivalency determinations regarding the education, examination, and experience requirements of the 55 jurisdictions under the Uniform Accountancy Act (UAA). These determinations impact licensing, reciprocity, and practice privileges among the various jurisdictions, allowing the boards to rely upon a listing of jurisdictions whose licensing requirements have been reviewed for determinations of substantial equivalence to the guiding standards of the UAA. In addition, NASBA makes substantial equivalency determinations regularly regarding individuals' initial, reciprocal, and practice privilege licensing evaluations for various boards.

It is anticipated that representatives of NASBA will be in attendance at the CBA's July 2015 meeting to further discuss its plan for performing the research, if selected, and to answer any questions CBA members may have.

Deliverables

NASBA will provide a summary identifying the states using the following categories: Substantially Equivalent to the Guiding Principles, Substantially Equivalent with Suggested Guidance (states that NASBA would consider to be substantially equivalent if it accepts NASBA's specific guidance in certain areas), and Insufficient Information for Determination. It is also expected that a representative from NASBA would be available at future CBA meetings where substantial equivalence to the NASBA Enforcement Guidelines is discussed.

In addition, NASBA would provide staff with the ability to audit the results of the substantial equivalency determinations by meeting with NASBA to collectively review states as identified by the CBA. This review would include a summary prepared by NASBA of the specific enforcement practices in the selected jurisdictions, and, when

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deemed necessary by staff, a confidential review of the underlying documents used to make a particular determination at a meeting between NASBA and staff.

Timeline

It is anticipated that NASBA would be able to provide an initial list of states that it considers substantially equivalent to the NASBA Enforcement Guidelines by November 30, 2015 in order that it may be brought for discussion at the CBA's January 2016 meeting. NASBA would continue to work with other states to provide guidance, gather information, and provide periodic updates to the CBA, but should submit its final list by July 31, 2016 in order to allow the CBA to discuss it at its September 2016 meeting as outlined in **CBA Agenda Item IX.C.3.**³

Advantages

- NASBA has access and established contacts with other states and has already obtained much of the needed information
- NASBA typically receives a higher response rate to its inquiries than individual state boards
- NASBA has experience making substantial equivalency determinations
- Staff would not need to be redirected
- No additional costs

Disadvantages

- NASBA may not be in a position to publicly provide the CBA with details or specifics regarding how it formulates its opinion as to the substantially equivalency of each state
- The CBA would have to rely on NASBA's opinion when determining whether a state is substantially equivalent to the NASBA Enforcement Guidelines

Combination of Options

The CBA may also employ a combination of these methods. The CBA may wish to initially categorize states based on the potential for harm to California consumers in order to determine which entity will perform the research on specific states. Should the CBA choose this approach, the CBA would need to determine how it would like to categorize the states. One possible factor could be licensee population. For example, a large population of more than 20,000 licensees may be a higher risk of potential harm to consumers than a small population having less than 10,000 licensees. The CBA may also want to consider whether a state makes the disciplinary history of its licensees publicly available through the Internet. Another potential factor would be the number of

³ The CBA may continue, beyond this date, to work with individual states in bringing them to a position of being substantially equivalent to the NASBA Enforcement Guidelines.

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licensees from a state that were granted a practice privilege under the prior notice and fee program.

Staff have provided a table (**Attachment 6**) listing these potential factors to consider when making research assignments. The table contains a column indicating whether a state provides disciplinary history on the Internet. Disciplinary history means that there is some type of indication as to whether an individual had a license, registration, permit or authority to practice a profession surrendered, denied, suspended, revoked, or otherwise disciplined or sanctioned. The data in this column was developed by staff for the March 2015 CBA meeting after reviewing the information available on CPAverify and on individual state boards of accountancy websites.

On the table in the second column, staff used the size categories listed in NASBA's Enforcement Guidelines; Small states have fewer than 10,000 licensees, and Large have more than 20,000. Staff added the two categories of Very Large (more than 35,000) and Very Small (fewer than 2,000).

The final column first lists the number of individuals approved for a practice privilege by the CBA from each state under the prior notice and fee practice privilege program. The second number is the number of Out-of-State Firm Registrations (OFR) that have been approved from each state since the no notice, no fee practice privilege program went into effect two years ago. An OFR is required for practice privilege holders who wish to perform certain attest work for California headquartered entities.

If the CBA decides to use some or all of these data points in order to determine which entity should perform the research on certain states, staff would request that the CBA identify the entity and the state or group of states for which it will be responsible. One possible example would be to assign all states that do not make the disciplinary history of their licensees publicly available through the Internet to NASBA in order that it might work with those states to bring them into compliance with this requirement.

Future Steps for the CBA

Following the CBA's selection of one of the proposed approaches to performing the research, the CBA will receive updates on the progress of the research at its September and November 2015 meetings in anticipation of the delivery of the initial research at its January 2016 meeting. Depending on the approach it selects, the CBA may have its first opportunity to designate certain states as substantially equivalent to the NASBA Enforcement Guidelines at its January 2016 meeting, although the contracting process, if the consultant approach is selected, could delay this target date.

Following the January 2016 meeting, the CBA may wish to seek further information regarding certain states or inquire whether efforts can be made to bring states into compliance before making a decision regarding substantial equivalence. In seeking

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further information, the CBA will be free to use the same entity it previously used for the research, or it may choose to select another entity to perform the follow up inquiries.

Fiscal/Economic Impact Considerations

The fiscal/economic impact will vary depending on the approach selected.

Recommendation

Staff recommends the following:

- That the MSG meet in conjunction with scheduled CBA meetings until the project is complete
- That the CBA approve the concept of the State Information Sheet to be used by a consultant or staff in conducting the research
- That the CBA add a question to the State Information Sheet to determine whether a state makes the disciplinary history of its licensees publicly available through the Internet
- That the CBA choose which approach it would prefer for performing the research, and if the "Combination of Options" approach is selected, that the CBA identify which states each entity is responsible for researching

Attachments

1. NASBA's Guiding Principles of Enforcement
2. BPC section 5096.21
3. Prior Practice Privilege Form
4. State Information Sheet
5. NASBA's Objectives for Substantial Equivalency Evaluation
6. Table of Factors to Consider for Research Assignment

Guiding Principles of Enforcement

NASBA

5-28-15

The purpose of issuing these Guiding Principles is to promote consumer protection by promoting uniformly effective board enforcement and disclosure policies and practices nationally as a reinforcing compliment to mobility, which depends upon all states having confidence in the enforcement and disclosure policies and practices of the home state of the mobile licensee. While of course not binding on boards, these Guiding Principles are based on exhaustive, multi-year research into the enforcement and disclosure practices and policies of the boards of the 55 jurisdictions, and represent NASBA identifying common practices for boards to consider and, potentially, against which to measure themselves.

ENFORCEMENT

Board enforcement throughout the nation is largely complaint driven. How boards handle complaints is, therefore, foundational to how well its enforcement program works to benefit consumers.

What follows are the performance-based hallmarks of enforcement programs and Guiding Principles related to each. How fast are complaints addressed? How are complaints prioritized? How fast are urgent complaints addressed? What discipline is imposed? What is the quality of the resources available and the capacity of those resources? These are some of the key questions to be weighed when evaluating an enforcement program.

1. Time Frames for prosecuting a complaint from intake to final disposition

General Findings: State laws often dictate the manner in which boards prosecute cases, in some cases dictating the manner in which actions are handled. For example one board may have the authority to close a complaint without merit almost immediately based solely on the decision of the Executive Director, while another board may be required to hold the file open until a vote by the board at the next scheduled meeting.

When considering a new complaint, boards should first determine whether a complaint has legal merit and, if legal merit is found, whether the state board has jurisdictional nexus on the matter. If both these criteria are satisfied and the board determines to move forward with the enforcement matter, the board should then consider whether any discipline already issued by another agency, board, etc. was sufficient to address the violations or whether the harm justifies further enforcement action by the board.

An analysis of the various jurisdictions reveals useful benchmarks for the time frame of handling complaints. Set forth below are targeted time frames that boards should strive to meet, understanding there are instances where different time frames are appropriate in light of the legal and operational considerations (e.g. volume of complaints) that may justify different targets for certain boards.

- a. Decision to (i) close complaints for lack of legal merit or jurisdictional nexus or (ii) initiate an investigation
 - i. Target – 7 days after expiration of time period for responses with either receipt of all supporting document from parties or failure to respond, or

- at next scheduled board/complaint committee meeting
- b. Assignment of investigator
 - i. Target – 10 days from decision to initiate investigation
- c. Completion of investigation
 - i. Target – 180 days or less from initiation of investigation
- d. Formal Discipline at administrative level – final disposition
 - i. Target – 540 days or less from initiation of complaint
- e. Initiation of action (re-opening of complaint) or initiation of new complaint following probation violation
 - i. Target – 15 days or next scheduled board/complaint committee meeting

2. Enforcement resources to adequately staff investigations

General Findings: Both consumers and licensees have an interest in seeing complaints processed expeditiously, with a board enjoying adequate enforcement resources to ensure a fair and efficient process. Generally, the appropriate level of enforcement resources in a given jurisdiction is a function of the size of the jurisdiction’s licensee population, and the number and nature of complaints typically handled by that jurisdiction. A board with 70,000 licensees will need a much more robust investigative unit with more personnel, but a board with 1,500 licensees may be able to utilize board members with specialized knowledge to handle investigations. Overall, 33 jurisdictions have less than 10,000 licensees (“small” jurisdictions); 13 jurisdictions have 10,000-20,000 licensees (“mid-size”); and nine have more than 20,000 licensees (“large”). In instances where the size of a jurisdiction’s licensee population has a direct bearing on what should be considered a “guiding principle of enforcement” (e.g. setting appropriate staff levels and training), separate targets are suggested below for small, mid-size and large jurisdictions.

- a. In determining adequate staffing resources a board should routinely evaluate staffing levels to ensure that the appropriate number of staff are assigned to the right positions and at the right time. A board should evaluate their respective program needs, taking into consideration workload projections and any new anticipated workload over the coming years (possibly as a result of law or rule changes). When evaluating staffing workload, a board should consider identified core tasks to complete investigations, general duration of time to complete the tasks, and the number of staff presently assigned to handle investigation. Based on this evaluation, a board should determine if any overages or shortages in workload exists and seek to align staffing resources accordingly.
- b. Factors that may warrant modification (up or down) in staffing:
 - i. Ratio of administrative complaints to practice complaints – history of practice claims in a particular jurisdiction would warrant more investigators per licensee. Administrative complaints are typically less complicated and would include violations like failure to renew, failure to obtain CPE (“Administrative Complaints”). Practice complaints are generally more complex and would include violations such as failure to follow standards, failure to follow the code of conduct and actions involving dishonesty or fraud (“Practice Complaints”).
 - ii. Ratio of complaints involving firms with offices in multiple states

versus smaller firms with local offices. The prevalence of complex cases, such as cases against the auditors in Enron and against big firms that involve representation by outside law firms may require an increase in the ratio of investigators to licensees, to handle the added workload associated with periodic complex cases.

- c. Qualification and training of investigators
 - i. Large, mid-size and small accountancy boards should all seek to utilize CPAs, law enforcement, board staff, or other individuals with accounting or investigative training (such as the Investigator Training Series identified in Section 2 (c)(iii) below or the training offered by the Council on Licensure, Enforcement and Regulation (CLEAR)) as an investigator whenever possible;
 - ii. Encourage investigative staff to attend investigative training seminars such as those hosted by CLEAR;
 - iii. Encourage investigative staff to complete the Investigator Training Series on NASBA.org
 - iv. Boards should establish and follow a process for determining appropriate utilization of CPA investigators and/or CPA board members or staff and non-CPA investigators, which considers whether the case involves an Administrative Complaint or involves a Practice Complaint.
 - v. Boards should utilize subject matter experts for complex investigations involving highly technical areas and standards, such as ERISA, Yellow Book, cases involving complicated tax issues, and fraud.
 - 1. Work with NASBA to identify a means of obtaining the necessary resources if costs are prohibitive to boards
 - 2. Use NASBA pool of available expert witnesses, if needed, to address complex issues, such as those items referenced in subsection (v) above
 - 3. Referral to a board member with expertise that is case specific
 - a. In such cases, the Board member should recuse himself/herself from further participation in any formal disciplinary action in the specific matter
- d. Boards should be able to access funds in a timely manner to handle a case against a big firm, as a demand arises, either through an appropriation process, the board, the umbrella agency, or the prosecuting agency.

3. Case management

General Findings: The volume of complaints considered by a board will also have a bearing regarding case management for a particular board. For example, a board handling 3,000 complaints a year typically should have a system in place to prioritize those cases based upon the potential for harm, while a board receiving only 1-3 complaints will not need a prioritization system because each complaint can receive immediate attention. If the number of complaints received by board requires prioritization in order to adequately address all complaints and best allocate board resources to achieve maximum protection of the public, then such jurisdiction should identify cases for potential to cause greatest harm, or offenses that are indicators of problems that could lead to such harm and adopt procedures to manage Administrative Complaints by handling them in a manner similar to that outlined below in Section 3(a) and Practice Complaints by handling them in a manner similar to that outlined below in Section 3(b).

- a. Administrative Complaints involving matters of licensing deficiencies such as, failure to timely renew or obtain CPE, improper firm names, other administrative matters and certain first-time misdemeanor offenses, generally pose a lesser threat to the public and as such may be processed as follows:
 - i. Attorney, Executive Director, and/or qualified staff review informal matters
 - ii. Cases can be closed based on voluntary compliance
 - iii. Informal conference may be scheduled to assist in reaching a settlement or if there is non-compliance with an agreed resolution
- b. Practice Complaints generally involving matters of incompetence, dishonesty, violation of any rule of professional ethics or professional conduct, failing to timely complete an engagement, failure to communicate, criminal convictions, breach of fiduciary duty or fraud or disclosing confidential information pose a greater threat to the public and as such are generally processed as follows:
 - i. Summary of investigation is reviewed by Attorney, Executive Director, appointed Board member, or Complaint Committee (depending upon board structure)
 - ii. Further investigation may be requested
 - iii. Information Conference may be scheduled to aid settlement
 - iv. Upon determination of a violation, corrective (remedial) or disciplinary action is taken (either by consent agreement or proceeding to formal hearing) upon approval of the Board
- c. Boards should review discipline from other agencies, such as the DOL, SEC, PCAOB, and AICPA, included in the NASBA Quarterly Enforcement Report to determine whether such discipline should give rise to disciplinary action by the Board.
- d. Boards should use a method of tracking probationary matters with assigned personnel (staff or investigator) to monitor compliance with probationary terms, such as follow up phone calls or other correspondence with licensee, requiring the licensee to appear in person at interviews/meetings as directed by the Board to report on probation compliance, submitting written quarterly compliance reports, and/or allowing a practice investigation upon request of the Board.

4. Disciplinary Guidelines

General Findings: Boards of accountancy are charged with protecting consumers by regulating the profession and disciplining licensees who fail to comply with the professional standards. Another goal of the disciplinary process is to increase adherence to licensing requirements and professional standards, thereby elevating the quality of services provided by the profession. Boards have the authority to impose discipline to revoke, suspend, condition, or refuse to renew a license or certificate for violation of rules and regulations or statutes of the accountancy law. Boards should strive to impose fair and consistent discipline against licensees who violate the accountancy laws or rules. These guidelines recommend penalties and conditions of probation for specific statutes and rules violated, as well as aggravating and mitigating circumstances that may necessitate deviation from the recommended discipline. The disciplinary guidelines are to be used by Board members, Board staff, and others involved in the disciplinary process. Boards may exercise discretion in recommending penalties, including conditions of probation, as warranted by aggravating and mitigating circumstances.

- a. The disciplinary process for boards of accountancy should consider offenses and their appropriate penalties, including the following major categories of offenses. Each determination should be fact specific and penalties may be escalated, reduced or combined depending on the Boards' consideration of the relevant mitigating and aggravating factors.
 - i. Grounds for Revocation
 - 1. Revocation of a license/permit by another agency or Board
 - 2. Failure to inform the Board of a failed peer review
 - 3. Fraud or deceit in obtaining a license
 - 4. Conviction of any crime substantially related to the qualifications, functions, or duties of a CPA (involving dishonesty or fraud)
 - 5. Dishonesty, fraud, or gross negligence in the practice of public accounting
 - 6. Commission of a felony
 - ii. Grounds for Suspension/Probation
 - 1. Failure to comply with board order
 - 2. Failure to meet firm ownership requirements
 - 3. Failure of a peer review
 - iii. Grounds for Monetary Fine/Penalty
 - 1. Unlicensed conduct
 - 2. Failure to comply with professional standards or code of conduct
 - 3. Failure to renew
 - 4. Failure to timely complete CPE or peer review
 - iv. Grounds for Remediation
 - 1. Failure to comply with professional standards
 - 2. Issues regarding client records/ownership of work papers
 - 3. Issues regarding confidential disclosures
 - 4. Unlicensed conduct due to inadvertence (i.e., mobility, multiple designations, foreign accountants, etc.)
 - 5. Misleading name, title, or designation
- b. Boards may adopt specific factors to consider in assessing penalties, such as:
 - i. Permissible sanctions available to the Board, including those sanctions set forth in Section 4(a) above
 - ii. Mitigating or aggravating factors (described in detail below)
 - iii. Past disciplinary history or "trends" in licensee's behavior involving this Board or other agencies such as SEC, IRS, PCAOB and societies
 - iv. Likelihood of repeating the behavior
 - v. Potential for future public harm
 - vi. Potential for licensee's rehabilitation
 - vii. Extent of damages or injury due to licensee's behavior
 - viii. Board sanctions with similar misconduct in other cases
 - ix. Other enforcement actions or legal actions against licensee involving the conduct which is the subject of the current case (and impact of those actions/sanctions upon licensee)
 - x. Whether action was a clear violation or was an area of law/rule subject to interpretation
 - xi. Whether the individual or firm has already been sanctioned for the action by another state, PCAOB the SEC, or other enforcement body,

- and whether the enforcement body imposed sanctions consistent with sanctions the board would typically impose under the circumstances.
- c. Boards may consider the following mitigating factors in assessing penalties:
 - i. Passage of time without evidence of other professional misconduct
 - ii. Convincing proof of rehabilitation
 - iii. Violation was without monetary loss to consumers and/or restitution was made
 - iv. If multiple licensees are involved in the violation, the relative degree of culpability of the subject licensee should be considered
 - d. Boards may consider the following aggravating factors in assessing penalties:
 - i. Failure to cooperate with Board in investigation of complaint and/or disciplinary process (providing requested documentation, timely responses, participating in informal conference)
 - ii. Violation is willful, knowingly committed and/or premeditated
 - iii. Case involved numerous violations of Board's statutes and rules, as well as federal or other state statutes
 - iv. History of prior discipline, particularly where prior discipline is for same or similar conduct
 - v. Violation results in substantial harm to client, employer and/or public
 - vi. Evidence that licensee took advantage of his client for personal gain, especially if advantage was due to ignorance, age or lack of sophistication of the client

5. Internet Disclosure

General Findings: The goal is to allow market forces to elevate the profession by directing consumers away from licensees with troubled records and toward those who have adhered to professional standards. Thus, the disclosures must be of sufficient detail for consumers to be able to make informed judgments about whether discipline poses a risk to them or is indicative of a prior problem relevant to why they are retaining the CPA.

Finally, internet disclosure has two other beneficial consequences. One, it elicits confidence in the board's operations. If a consumer found out that the board had secreted information from the public about a CPA that hurt the consumer, that consumer would not view the board as its champion. Likewise, as enforcement is the major duty of the board, disclosure of enforcement promotes transparency and accountability about the performance of an important state government agency.

Internet disclosures should for these reasons provide easy access by consumers to the disciplinary history, if any, of a CPA offering services to the consumer. States will vary in the documents that may be accessed by the public online, but at a minimum, states should provide sufficient information that a consumer can readily determine if any regulatory "red flags" exist that warrant further investigation by the consumer.

- a. Boards should participate in the ALD and CPAverify
 - i. Boards should strive to provide final disciplinary action to ALD/CPA Verify for notation in the database
 - ii. Boards should strive to provide information necessary for "hashing" licensee records across jurisdictions to the ALD to assist transparency and cross-border discipline

- b. Boards should publish final disciplinary action by the Board through a web site, newsletter or other available media, either with specific information regarding the facts that caused the board to impose discipline including, but not limited to, a board considering posting official documents that would be public records if requested by a consumer, or sufficient information to allow the consumer to contact the Board for particular details.
- c. Boards should capture “discipline under mobility” violation in CPAverify licensee record indicating the state where discipline was issued, with sufficient information to allow the consumer to contact the disciplining board to investigate the activity that resulted in discipline.

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**Attachment 2****Business and Professions Code****5096.21**

(a) On and after January 1, 2016, if the board determines, through a majority vote of the board at a regularly scheduled meeting, that allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096, violates the board's duty to protect the public, pursuant to Section 5000.1, the board shall require, by regulation, out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to file the notification form and pay the applicable fees as required by former Section 5096, as added by Chapter 921 of the Statutes of 2004, and regulations adopted thereunder.

(b) The board shall, at minimum, consider the following factors in making the determination required by subdivision (a):

(1) Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.

(2) Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.

(3) Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

(c) Notwithstanding subdivision (a), if (1) the National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines, (2) the board, upon a majority vote at a regularly scheduled board meeting, issues a finding after a public hearing that those practices meet or exceed the board's own enforcement practices, (3) a state has in place and is operating pursuant to enforcement practices substantially equivalent to the best practices guidelines, and (4) disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the board to link consumers to an Internet Web site to obtain information at least equal to the information that was previously available to consumers through the practice privilege form filed by out-of-state licensees pursuant to former Section 5096, as added by Chapter 921 of the Statutes of 2004, no practice privilege form shall be required to be filed by any licensee of that state as required by subdivision (a), nor shall the board be required to report on that state to the Legislature as required by subdivision (d).

(d) (1) The board shall report to the relevant policy committees of the Legislature, the director, and the public, upon request, preliminary determinations made pursuant to this section no later than July 1, 2015. The board shall, prior to January 1, 2016, and

thereafter as it deems appropriate, review its determinations made pursuant to subdivision (b) to ensure that it is in compliance with this section.

(2) This subdivision shall become inoperative on July 1, 2017, pursuant to Section 10231.5 of the Government Code.

(e) On or before July 1, 2014, the board shall convene a stakeholder group consisting of members of the board, board enforcement staff, and representatives of the accounting profession and consumer representatives to consider whether the provisions of this article are consistent with the board's duty to protect the public consistent with Section 5000.1, and whether the provisions of this article satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board.

(f) On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:

(1) How the board has implemented this article and whether implementation is complete.

(2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.

(3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.

(g) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.



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**NOTIFICATION AND AGREEMENT TO CONDITIONS FOR THE PRIVILEGE TO
 PRACTICE PUBLIC ACCOUNTING IN CALIFORNIA PURSUANT TO CALIFORNIA BUSINESS AND
 PROFESSIONS CODE SECTION 5096 AND TITLE 16, DIVISION 1, ARTICLE 4 OF THE
 CALIFORNIA CODE OF REGULATIONS**

Attachment 3

CONTACT INFORMATION

Individual Information

Name: _____ Prior Name(s): _____

Date of Birth: ____ / ____ / ____ Social Security Number: _____

Daytime Direct Telephone Number: _____ E-mail Address: _____
 (optional)

Certified Public Accounting Firm Information

*Complete the Certified Public Accounting Firm Information **ONLY** if the certified public accounting firm name you are associated with is different from the individual name above.*

Certified Public Accounting Firm Name: _____

Firm Address: _____

Firm Main Telephone Number: _____ Fax Number: _____ Firm Taxpayer ID Number: _____

Include additional certified public accounting firms you are associated with on Attachment 2, if necessary.

Other Contact Information

Address of Record (mailing address:
 fill out only if different from firm address
 or if no firm address is listed above): _____

QUALIFICATION REQUIREMENTS

I state as follows:

1. I am an individual.
2. a. My principal place of business is not in California; **OR**
 b. I have a pending application for licensure in California under Sections 5087 and 5088.
3. I qualify for a practice privilege based on my current, valid license to practice public accountancy in the following state:

State: _____ License Number: _____ Date Originally Issued: _____ Expiration Date: _____

4. a. The license identified in Item 3 is deemed substantially equivalent by the California Board of Accountancy; **OR**
- b. My individual qualifications have been determined by the National Association of State Boards of Accountancy (NASBA) to be substantially equivalent (NASBA file no. _____); **OR**
- c. I have continually practiced public accountancy as a certified public accountant under a valid license issued by any state for four of the last 10 years.
5. a. I am submitting this notice to the CBA at or before the time I begin the practice of public accountancy in California; **OR**
- b. I am submitting this notice after I began the practice of public accountancy in California on ___/___/____. My reason(s) for not providing notice on or before that date is (are) provided below. (The safe harbor provision is referenced in Section 5096.14 of the California Business and Professions Code.)
-
-
6. I have met the continuing education requirements and any exam requirements for the state of licensure identified in Item 3.

I consent and agree to the following:

7. To comply with the laws of the state of California, including the California Accountancy Act (Business and Professions Code Section 5000 et seq., accessible at http://www.dca.ca.gov/cba/acnt_act.htm) and the regulations thereunder (accessible at <http://www.dca.ca.gov/cba/regs.htm>).
8. To the personal and subject matter jurisdiction of the CBA including, but not limited to, the following:
- a. To suspend, without prior notice or hearing and in the sole discretion of the CBA or its representatives, the privilege to practice public accounting;
 - b. To impose discipline for any violation of the California Accountancy Act or regulations thereunder and recover costs for investigation and prosecution; and
 - c. To provide information relating to a practice privilege and/or refer any additional and further discipline to the board of accountancy of any other state and/or the Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB) or other relevant regulatory authorities.
9. To respond fully and completely to all inquiries by the CBA relating to my California practice privilege, including after the expiration of this privilege.
10. To the authority of the CBA to verify the accuracy and truthfulness of the information provided in this notification. I consent to the release of all information relevant to the CBA's inquiries now or in the future by:
- a. Contacting other state agencies;
 - b. Contacting the SEC, PCAOB or any other federal agency before which I am authorized to practice; and
 - c. Contacting NASBA.
11. In the event that any of the information in this notice changes, to provide the CBA written notice of any such change within 30 days of its occurrence.
12. To submit any applicable fees timely.

AUTHORITY TO SIGN ATTEST REPORTS

Choose **ONE** of the following options:

- I WISH** to be able to sign an attest report under this practice privilege, and I have at least 500 hours of experience in attest services. By checking this box, I agree to pay within 30 days of submission of this Notification Form, the \$100 Notification Fee which includes authorization to sign attest reports.

OR

- I DO NOT WISH** to be able to sign an attest report under this practice privilege. Under this choice, I may participate in attest engagements but may not sign an attest report. By checking this box, I agree to pay the \$50 Notification Fee, due within 30 days of submission of this Notification Form.

DISQUALIFYING CONDITIONS

Please respond to the following items. For any items checked "Yes" in (A) – (G), you must provide additional information as requested in Attachment 1, and you are not authorized to practice in California unless and until you receive notice from the CBA that the privilege has been granted.

Please check "Yes" for any items even if they were previously reviewed and cleared by the Board in a past California Practice Privilege. To expedite the review process, please include the details of all disqualifying conditions, including those previously reported in the additional information you provide.

- | | | | |
|--------------------------|--------------------------|----|---|
| Y | N | A. | I have been convicted of a crime other than a minor traffic violation. |
| <input type="checkbox"/> | <input type="checkbox"/> | | |
| Y | N | B. | I have had a license, registration, permit or authority to practice a profession surrendered, denied, suspended, revoked, or otherwise disciplined or sanctioned except for the following occurrences: |
| <input type="checkbox"/> | <input type="checkbox"/> | | |
| | | | (1) an action by a state board of accountancy in which the only sanction was a requirement that the individual complete specified continuing education courses. |
| | | | (2) the revocation of a license or other authority to practice public accountancy, other than the license upon which the practice privilege is based, solely because of failure to complete continuing education or failure to renew. |
| Y | N | C. | I am currently the subject of an investigation, inquiry or proceeding by or before a state, federal, or local court or agency (including the PCAOB) involving my professional conduct. |
| <input type="checkbox"/> | <input type="checkbox"/> | | |
| Y | N | D. | I have an unresolved administrative suspension or an unpaid fine related to a prior California Practice Privilege. |
| <input type="checkbox"/> | <input type="checkbox"/> | | |
| Y | N | E. | I did not respond to a request for information from the CBA related to a prior California Practice Privilege. |
| <input type="checkbox"/> | <input type="checkbox"/> | | |
| Y | N | F. | I have been notified by the CBA that prior Board approval is required before practice under a new California Practice Privilege may commence. |
| <input type="checkbox"/> | <input type="checkbox"/> | | |
| Y | N | G. | I have had a judgment or arbitration award against me involving my professional conduct in the amount of \$30,000 or greater. |
| <input type="checkbox"/> | <input type="checkbox"/> | | |

REQUIRED ADDITIONAL INFORMATION

I currently hold a California Practice Privilege. Yes No

Expiration date: _____ Unique Identifier: _____

I have held a California CPA/PA license. Yes No License number: _____

In addition to the state of licensure identified in Item 3, I also am authorized to practice public accountancy in the following:

State: _____ License Number: _____

State: _____ License Number: _____

Include additional licenses on Attachment 2, if necessary.

An answer of "No" to any of the following statements does not disqualify you from a California Practice Privilege.

I am an associated person of a firm registered with the PCAOB. Yes No

My firm has undergone peer review within the last three years. Yes No

The state of licensure identified in Item 3 requires CE in fraud detection. Yes No
If yes, I have fulfilled this requirement. Yes No

I, _____, understand that any misrepresentation or omission in connection with this notification disqualifies me from the California Practice Privilege and is cause for termination. Further I authorize the California Board of Accountancy to act accordingly, including notifying other state or federal authorities. I certify under penalty of perjury under the laws of the state of California that the foregoing information is true and correct.

Signature: _____ Date: _____

Unless you have checked "Y" to any items under Disqualifying Conditions, your privilege to practice commences with the submission of your properly completed notification. Your fee must be received within 30 days. Your privilege expires one year from the date of submission of this notification.



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ATTACHMENT 1

Name: _____
Last First MI

1. If you checked "Yes" to any of items A – G under Disqualifying Conditions, please provide explanatory details:

2. If you checked "Yes" to Item G under Disqualifying Conditions, please also provide:

Date of Judgment/
Arbitration Award: _____ Jurisdiction/Court: _____ Docket No: _____

PERSONAL INFORMATION COLLECTION AND ACCESS: The information provided in this form will be used by the California Board of Accountancy to determine whether you qualify for practice privilege in California. Sections 5096 through 5096.15 of the California Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is ground for rejection of the form as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in California Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the California Information Practices Act. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act. The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this form, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680, regarding questions about this notice or access to records.



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Attachment 4

State Information Sheet

This information sheet provides a list of questions that correspond to specific points in the NASBA Enforcement Guidelines along with items that the CBA has requested. The columns to the right of the questions allow the completing entity to opine as to how the responding state's enforcement practices compare to the NASBA Enforcement Guidelines on each point.

State: _____

1. Time Frames for Prosecuting a Complaint from Intake to Final Disposition				
Question	<u>Answer</u>	<u>Meets</u>	<u>Needs Additional Work</u>	<u>Does Not Meet</u>
What is the board's target time frame to either close a complaint for lack of legal merit or jurisdictional merit or to initiate an investigation? (1.a.i.)				
What is the board's target time frame to assign the case to an investigator after initiation of an investigation? (1.b.i.)				
What is the board's target time frame to complete the investigation following assignment to an investigator? (1.c.i.)				
What is the board's target time frame to formal discipline from initiation of a complaint? (1.d.i.)				
What is the board's target time frame to initiate action or initiation of a new complaint following a probation violation? (1.e.i.)				

Each point of the guidelines will have a corresponding question once staff finalize this sheet.

2. Enforcement Resources to Adequately Staff Investigations

If the questionnaire is adopted as a part of the approach, staff will fill in the remainder of the items from section 2 of the NASBA Enforcement Guidelines.

Question	<u>Answer</u>	<u>Meets</u>	<u>Needs Additional Work</u>	<u>Does Not Meet</u>
Does the board routinely evaluate enforcement staffing levels to ensure that the appropriate number of staff are assigned to the right positions at the right time? (2.a.)				
Does the board evaluate their respective program needs, taking into consideration workload projections and any new anticipated workload over the coming years? (2.a.)				
When evaluating staffing workload, does the board consider identified core tasks to complete investigations, general duration of time to complete the tasks, and number of staff presently assigned to handle the investigation? (2.a.)				
Does the board determine if any overages or shortages in workload exist and seek to align staffing resources accordingly? (2.a.)				

3. Case Management

If the questionnaire is adopted as a part of the approach, staff will fill in the remainder of the items from section 3 of the NASBA Enforcement Guidelines.

Question	<u>Answer</u>	<u>Meets</u>	<u>Needs Additional Work</u>	<u>Does Not Meet</u>
Who reviews informal matters of licensing deficiencies such as failure to timely renew or obtain CPA, improper firm names, and other administrative matters (administrative complaints)? (3.a.i.)				
Can administrative complaints be closed based on voluntary compliance? (3.a.ii.)				

4. Disciplinary Guidelines

If the questionnaire is adopted as a part of the approach, staff will fill in the remainder of the items from section 4 of the NASBA Enforcement Guidelines.

Question	<u>Answer</u>	<u>Meets</u>	<u>Needs Additional Work</u>	<u>Does Not Meet</u>
Can disciplinary penalties be escalated, reduced, or combined depending on relevant mitigating and aggravating factors? (4.a.)				
<u>Are the following categories of offenses grounds for revocation:</u>				
Revocation of a license/permit by another agency or board? (4.a.i.1.)				
Failure to inform the board of a failed peer review? (4.a.i.2.)				
Fraud or deceit in obtaining a license? (4.a.i.3.)				

5. Internet Disclosure

If the questionnaire is adopted as a part of the approach, staff will fill in the remainder of the items from section 5 of the NASBA Enforcement Guidelines.

Question	<u>Answer</u>	<u>Meets</u>	<u>Needs Additional Work</u>	<u>Does Not Meet</u>
Does the board participate in ALD and CPAVerify? (5.a.)				
Does the board strive to provide final disciplinary action to ALD/CPAVerify? (5.a.i.)				
Does the board strive to provide ALD with the information necessary for "hashing" licensee records across jurisdictions? (5.a.ii)				

The following items were requested by the CBA to be included in the research. While these items are not a part of determining each states' substantial equivalence to the NASBA Enforcement Guidelines, the answers will prove beneficial should a state be found to be not substantial equivalent and need to go through the state-by-state determination process outlined in Business and Professions Code section 5096.21(a).

CBA Requested Items	
<i>If the questionnaire is adopted as a part of the approach, the CBA will be asked to identify any additional items it may wish to have included in the research.</i>	
<u>Question</u>	<u>Answer</u>
How many active licensees does the board have?	
What is the average number of disciplinary actions taken by the board over the past five years?	
Does the board have a mandatory peer review program?	
Does the board post disciplinary actions on its website?	
How long do disciplinary actions remain on the board's website?	
Does the board ever expunge disciplinary actions from a licensee's records? If so, after how long?	
How easy is it for a consumer to make a complaint against a licensee to the board?	
Can consumers file a complaint online? If so, are there clear instructions on how to do so?	
If the consumer cannot file a complaint online, how are consumers informed of the complaint process?	

The following information is provided by the National Association of State Boards of Accountancy (NASBA) to serve as its basis for determining which states' enforcement practices are substantially equivalent to its Enforcement Guidelines. It is prepared in order to show NASBA's basis of understanding and its proposal for how it will proceed should the CBA select it to perform the research for the substantial equivalency project.

NASBA'S OBJECTIVES FOR SUBSTANTIAL EQUIVALENCY EVALUATION

NASBA recognizes that the enforcement practices of each jurisdiction will vary based on many factors that are specific to the particular board, such as number of licensees, number of complaints/cases, authority vested in the board, delegation of certain phases of enforcement to other agencies, and interaction with an umbrella agency. The statutorily required determination of substantial equivalency is subjective in nature and will require an analysis of each jurisdiction's statutes, rules, and practices to inquire whether those collectively create an enforcement practice that reflects the objectives of the Guiding Principles that have been determined by the CBA as meeting or exceeding the CBA's own enforcement practices.

1. Time Frames for Prosecuting a Complaint from Intake to Final Disposition

The structure and authority of boards of accountancy vary greatly across the country. Some boards are empowered to close or dismiss a matter without board vote, while others are required to hold the complaint open until a vote at the next board meeting. Some boards do not perform their own investigation of a complaint, but rather are required to send the complaint to an investigative unit within an umbrella agency, in which case it is beyond the authority of the board to regulate the speed of investigation, available investigative personnel, assignment of files, etc. The Guiding Principles set forth benchmarks to help facilitate the timely handling of complaints. Regardless of the timing of individual steps throughout the process (perhaps a board takes longer than the benchmark of 10 days to assign an investigator but completes investigations in less than the benchmark of 180 days), the ultimate objective of this principle is that matters will be resolved in a timely manner, but in any event no more than 540 days from the initiation of a complaint. Parties recognize that matters which are pending before other agencies or involved in civil litigation, or complex matters involving large firms or multiple parties may still fall outside this goal of 540 days due to the circumstances of the particular case but fall within the objective of a timely handling of a case.

2. Enforcement Resources to Adequately Staff Investigations

Boards typically either have one or more investigators dedicated to the board, utilize an investigator from an investigative pool provided by an umbrella agency, or utilize board staff or personnel to investigate complaints. Any of these methods may provide adequate resources to investigate complaints in a timely and knowledgeable manner. (1) As a measurement, if a board is able to meet the 540 day disposition benchmark in Principle #1, then the board is adequately staffed with sufficient personnel to timely conduct the investigations. Otherwise, the investigation process would bottleneck the disposition of cases. (2) Regarding qualification and training of investigators, those

boards utilizing a designated investigator or personnel from an investigative pool would have sufficient investigative training to satisfy their particular board. Likewise, this principle can be satisfied by the performance of investigations by board members who can additionally provide particular subject matter expertise. (3) Boards should have access (through use of board members, contract hire, or other means) to subject matter experts to advise or testify as needed. (4) Boards should be able to access funds in order to prosecute a case against a big firm.

3. Case Management

The primary objective of this Principle is to determine that the board has (1) a case management process in place which allows staff to handle those complaints that can be dealt with administratively, if the Board is authorized to do so, and creates a process for efficient management of practice complaints through investigation, settlement, disciplinary hearings, etc. Again, the time management goal of 540 days in Principle #1 is an indicator that a board's case management system is meeting this criteria. (2) In addition, the case management process should also allow the board to prioritize those cases with the greatest potential for harm, if prioritization is required due to larger caseloads. (3) Boards should also consider discipline administered by other agencies as a basis for possible discipline by the board. (4) If probation is utilized, then the terms of the probation agreement should be monitored.

4. Disciplinary Guidelines

The primary objective of this Principle is that the disciplinary process of each board should consider offenses and appropriate penalties for each. (1) Boards should have written disciplinary guidelines and/or may utilize historical knowledge of the disciplinary history of the board to ensure consistency in disciplinary decisions. (2) Penalties should be escalated, reduced, or combined with other penalties or remedial measures depending on the board's consideration of relevant mitigating or aggravating factors. Penalties can include revocation, suspension/probation, monetary fine/penalty, and remediation.

5. Internet Disclosures

The primary objective of internet disclosure is to provide sufficient information to allow the public to make an informed decision regarding the employment of a specific CPA. Consumers should be able to ascertain whether or not a CPA has an active license and whether the CPA has been disciplined by a particular board of accountancy. Because public records laws vary among jurisdictions, states should at a minimum provide sufficient information such that a consumer can readily determine if any regulatory "flags" exist that warrant further investigation by the consumer. This primary objective can be satisfied by (1) disciplinary data being reflected on the board's web site or (2) by the board providing disciplinary flags to be displayed in CPAverify.



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Attachment 6

Table of Factors to Consider for Research Assignment

This table lists factors that the CBA may wish to consider in categorizing states by the entity it wants to perform the research.

<u>State</u>	<u>Internet History of Discipline</u>	<u>Licensee Population</u>	<u>Practice Privilege¹</u>	
Alabama	No	Small	37	7
Alaska	No	Small	8	0
Arizona	No	Medium	293	17
Arkansas	Yes	Small	27	0
CNMI	No	Very Small	0	0
Colorado	Yes	Large	446	19
Connecticut	Yes	Medium	171	2
Delaware	Yes	Small	1	0
DC	No	Small	101	0
Florida	Yes	Very Large	244	20
Georgia	Yes	Large	174	14
Guam	Yes	Very Small	0	0
Hawaii	Yes	Small	80	3
Idaho	Yes	Small	58	4
Illinois	Yes	Very Large	579	18
Indiana	No	Medium	161	9
Iowa	Yes	Small	91	1
Kansas	Yes	Small	22	2
Kentucky	Yes	Small	49	1
Louisiana	Yes	Medium	37	4
Maine	Yes	Small	6	0
Maryland	No	Medium	156	13
Massachusetts	Yes	Medium	355	15
Michigan	No	Medium	167	7
Minnesota	Yes	Medium	255	9
Mississippi	No	Small	10	3
Missouri	Yes	Medium	173	9
Montana	Yes	Small	19	2

¹ The first number is the number of individuals approved for a practice privilege by the CBA from each state during the time of the prior notice and fee practice privilege program (January 2006 – June 2013). The second number is the number of Out-of-State Firm Registrations (OFR) that have been approved from each state since the no notice, no fee practice privilege program went into effect two years ago.

<u>State</u>	<u>Internet History of Discipline</u>	<u>Licensee Population</u>	<u>Practice Privilege</u>	
Nebraska	Partial	Small	27	2
Nevada	Yes	Small	123	13
New Hampshire	Yes	Small	3	2
New Jersey	Yes	Large	191	9
New Mexico	No	Small	46	2
New York	Partial	Very Large	583	31
North Carolina	Yes	Medium	163	8
North Dakota	Partial	Small	13	0
Ohio	Yes	Large	245	9
Oklahoma	Yes	Medium	48	3
Oregon	Yes	Medium	457	9
Pennsylvania	Yes	Very Large	270	6
Puerto Rico	No	Small	0	0
Rhode Island	Yes	Very Small	22	2
South Carolina	No	Small	21	0
South Dakota	No	Very Small	11	1
Tennessee	No	Medium	57	9
Texas	Yes	Very Large	632	24
USVI	No	Very Small	0	0
Utah	No	Small	160	12
Vermont	Partial	Small	2	0
Virginia	No	Large	242	8
Washington	Yes	Medium	695	17
West Virginia	Yes	Small	6	1
Wisconsin	No	Medium	106	3
Wyoming	Partial	Very Small	3	0

Key

<u>Population</u>	<u>Licensees</u>
Very Large	>35,000
Large	20,000-35,000
Medium	10,000-20,000
Small	2,000-10,000
Very Small	<2,000



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MSG Item V.
July 23, 2015

CBA Item X.B.5.
July 22-23, 2015

Discussion Regarding NASBA's Activities and CPAVerify

Presented by: Matthew Stanley, Manager, Examination and Practice Privilege Units

Purpose of the Item

The purpose of this agenda item is to allow the Mobility Stakeholder Group (MSG) the opportunity to discuss the National Association of State Boards of Accountancy's (NASBA) recent activities and CPAVerify.

Action(s) Needed

No specific action is required on this agenda item.

Background

At its November 2014 meeting, the MSG requested that NASBA activities and CPAVerify be added as a standing agenda item to allow for ongoing discussion.

The Accountancy Licensing Database (ALD) is a national database of certified public accountant license information. Only the CBA and other state boards of accountancy have direct access to ALD. CPAVerify is the public website that conveys information contained in the ALD database. If information is not available in ALD, it is not available on CPAVerify. The CBA maintains a link to CPAVerify on its website for the use of consumers and other stakeholders.

Comments

108th Annual Meeting

NASBA will hold its 108th Annual Meeting October 25-28, 2015 in Dana Point, CA, at the Laguna Cliffs Marriott Resort & Spa.

Additional Information regarding NASBA's Activities and CPAVerify

At this time, there are 50 jurisdictions participating in ALD and CPAVerify. NASBA continues its efforts to bring the remaining five onto the system. These five jurisdictions are Delaware, Hawaii, Michigan, Utah, and Wisconsin. It is anticipated Michigan will begin using the ALD within the next few months.

NASBA has also been working closely with the Department of Labor (DOL) to enhance information-sharing with state boards of accountancy regarding referrals for deficient

Discussion Regarding NASBA's Activities and CPAVerify

Page 2 of 2

audits. It is anticipated the DOL will begin obtaining consent from those auditing benefit plans, which will aid the DOL in sharing their investigative files and findings with state boards and the American Institute of Certified Public Accountants. It is also anticipated that this effort will significantly streamline the disciplinary process. This will be a topic at the upcoming Regional meetings.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff does not have a recommendation on this agenda item.

Attachment

None.



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MSG Item VI.
July 23, 2015

CBA Item X.B.6.
July 22-23, 2015

Discussion Regarding Proposed Agenda Items for the Next MSG Meeting

Presented by: Matthew Stanley, Manager, Examination and Practice Privilege Units

Purpose of the Item

The purpose of this agenda item is to establish the items that will be included on the next agenda for the Mobility Stakeholder Group (MSG).

Action(s) Needed

The MSG will be asked to identify topics it wishes to discuss at its next meeting.

Background

As the MSG is intended to be representative of "stakeholders of the accounting profession in this state, including consumers," it may wish to set its future agenda during its meetings in order that all public input may be considered when deciding how best to proceed.

Comments

The following topics are being proposed for consideration when determining the agenda for the next MSG meeting:

- Further Discussion Regarding the Approach to Comparing Other States to NASBA's Guiding Principles of Enforcement

The MSG may wish to accept, alter, or add to these suggestions based on the direction in which it wishes to proceed.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff does not have a recommendation on this agenda item.

Attachment

None.



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CBA Item XI.A
 July 22-23, 2015

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
May 28-29, 2015
CBA MEETING

DRAFT

Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000

Roll Call and Call to Order.

CBA President Jose Campos called the meeting to order at 1:31 p.m. on Thursday, May 28, 2015 at the Hilton Los Angeles Airport. The CBA convened into closed session at 4:18 p.m. until 5:05 p.m. The meeting reconvened into closed session on Friday, May 29, 2015 at 9:00 a.m. President Campos adjourned the meeting at 10:26 a.m.

CBA Members

May 28, 2015

Jose Campos, CPA, President	1:31 p.m. to 5:05 p.m.
Katrina Salazar, CPA, Vice-President	1:31 p.m. to 5:05 p.m.
Alicia Berhow, Secretary/Treasurer	1:31 p.m. to 5:05 p.m.
Sarah (Sally) Anderson, CPA	1:31 p.m. to 5:05 p.m.
Herschel Elkins, Esq.	1:31 p.m. to 5:05 p.m.
Laurence (Larry) Kaplan	1:31 p.m. to 5:05 p.m.
Louise Kirkbride	Absent
Kay Ko	1:31 p.m. to 5:05 p.m.
Leslie LaManna, CPA	1:31 p.m. to 5:05 p.m.
Xochitl León	1:31 p.m. to 5:05 p.m.
Jian Ou-Yang, CPA	1:31 p.m. to 5:05 p.m.
Michael Savoy, CPA	1:31 p.m. to 5:05 p.m.
Mark Silverman, Esq.	1:31 p.m. to 5:05 p.m.
Kathleen Wright, CPA	1:33 p.m. to 5:05 p.m.

CBA Members

May 29, 2015

Jose Campos, CPA, President	9:00 a.m. to 10:26 a.m.
Katrina Salazar, CPA, Vice-President	9:00 a.m. to 10:26 a.m.
Alicia Berhow, Secretary/Treasurer	9:00 a.m. to 10:26 a.m.
Sarah (Sally) Anderson, CPA	9:00 a.m. to 10:26 a.m.
Herschel Elkins, Esq.	9:00 a.m. to 10:26 a.m.
Laurence (Larry) Kaplan	9:00 a.m. to 10:26 a.m.
Louise Kirkbride	Absent
Kay Ko	9:00 a.m. to 10:26 a.m.
Leslie LaManna, CPA	9:00 a.m. to 10:26 a.m.
Xochitl León	9:00 a.m. to 10:26 a.m.
Jian Ou-Yang, CPA	9:00 a.m. to 10:26 a.m.
Michael Savoy, CPA	9:00 a.m. to 10:26 a.m.
Mark Silverman, Esq.	9:00 a.m. to 10:26 a.m.
Kathleen Wright, CPA	9:00 a.m. to 10:26 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Pat Billingsley, Regulations Analyst
Dominic Franzella, Chief, Enforcement Division
Kathryn Kay, Legislation Analyst
Dorothy Osgood, Enforcement Supervising ICPA
Corey Riordan, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Examination and Practice Privilege Manager

Committee Chairs and Members

Robert Lee, Chair, CPA, Peer Review Oversight Committee
Jeffrey De Lyser, CPA, Chair, Enforcement Advisory Committee
Robert Ruehl, CPA, Chair, Qualifications Committee

Other Participants

Ken Bishop, President and Chief Executive Officer, National Association of State Boards of Accountancy
Loretta Doon, Chief Executive Officer, California Society of Certified Public Accountants (CalCPA)
Jason Fox, CalCPA
Joseph Petito, The Accountants Coalition

Jon Ross, KP Public Affairs

I. Regulations.

A. Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Section 70 – Fees.

Mr. Billingsley read the following statement regarding the regulation hearing into the record.

“Good Afternoon. This is a public hearing on proposed regulations of the California Board of Accountancy, Department of Consumer Affairs, to consider amending regulations restoring the certified public accountant biennial renewal and initial permit fees to \$200.

On behalf of the Board and its staff, I'd like to welcome you. My name is Pat Billingsley and I serve as the Board's Regulatory Analyst. I will preside over this hearing on behalf of the Board and the Department.

The California Board of Accountancy is contemplating this action pursuant to the authority vested by Sections 5010, and 5134 of the Business and Professions Code, authorizing the Board to amend, adopt, or repeal regulations for the administration and enforcement of Chapter 1 of Division 3 of the Business and Professions Code. For the record, the date today is May 28, 2015 and the time is approximately 1:32 p.m. Our hearing is being held at the Hilton Los Angeles Airport, 5711 West Century Boulevard, in Los Angeles, CA.

The notice for the hearing on these proposed regulations was published by the Office of Administrative Law. Interested parties on our mailing list have been notified of today's hearing. The language of the proposed regulations has been mailed to those who requested it and has been available on the board's Web site and upon request by other members of the public. Copies of the proposed regulations are available.

If the Board has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The Board shall be provided and shall consider all written comments received up to 5:00 p.m., May 25, 2015. Those persons interested in testifying today should identify themselves and the section or subsection of the proposed regulations that they wish to address. Individuals will be called to testify in the order determined by recognition from the hearing officer.

If you have a comment about the proposed regulation or any part or specific subsection of the proposal, please step up to the microphone and give your name, spelling your last name and tell us what organization you represent, if any. Speak loudly enough for your comments to be heard

and recorded.

Remember, it's not necessary to repeat the testimony of previous commentators. It is sufficient if you simply say that you agree with what a previous speaker has stated. Written testimony can be summarized but should not be read. When you are testifying, please identify the particular regulation proposal you are addressing. Please comment only on provisions of the article under discussion.

If you have a question about a proposed regulation, please re-phrase your question as a comment. For example, instead of asking what a particular subdivision means, you should state that the language is unclear and why. This will give the Board an opportunity to address your comments directly when the Board makes its final determination of its response to your comments.

Please keep in mind that this is a public forum to receive comments on the proposed regulations from interested parties. It is not intended to be a forum for debate or defense of the regulations. After all witnesses have testified, the testimony phase of the hearing will be closed.”

No public comments were received.

Mr. Billingsley adjourned the regulation hearing at 1:44 p.m.

B. Discussion and Possible Action to Amend Title 16, CCR Section 70 – Fees.

Mr. Billingsley stated that at its March 2015 meeting, the CBA approved the proposed regulations to increase the biennial renewal and initial permit fees and directed staff to move forward with the rulemaking process.

It was moved by Ms. LaManna and seconded by Mr. Elkins to direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

II. Report of the President.

A. Introduction of New CBA Member, Jian Ou-Yang, CPA.

Mr. Ou-Yang introduced himself to the CBA.

B. Update Regarding Sunset Review Activities.

Mr. Campos provided an update on the sunset review activities. He stated that Vice-President Salazar and Patti Bowers, Executive Officer, testified before the Senate and Assembly Policy Committees and the CBA submitted written responses to the six issues raised by the committees. He noted that the CBA's sunset bill, Senate Bill 467, is moving through the legislative process and if passed the CBA sunset date will be extended to January 2020.

C. Presentation Regarding Bagley-Keene Open Meeting Act Specific to Attendance at Conferences or Similar Gatherings Open to the Public.

Ms. Schieldge provided a presentation of the Bagley-Keene Open Meeting Act regarding attendance at conferences or gatherings open to the public.

D. Discussion Regarding CBA Committee Liaison Roles.

Mr. Campos provided an overview of the CBA committee liaison roles. He stated that the liaisons are responsible for keeping the CBA apprised of committee deliberations and ensuring committees are aware of recent policy discussions and assignments.

E. Discussion Regarding the Mentoring of New Members.

Ms. Pearce provided an overview of the mentoring of new members.

It was moved by Ms. Berhow and seconded by Ms. LaManna to approve the proposed language regarding the mentoring of new CBA members and to direct staff to include the language in the CBA Guidelines and Procedures Manual.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

- F. Delegation of Adjournment of the CBA Meetings to the CBA President and Adjournment of the Committee Meetings to the Respective Committee Chairs.

Ms. Riordan provided an overview of the agenda item.

It was moved by Mr. Savoy and seconded by Mr. Elkins to delegate the authority to adjourn the CBA meetings to the CBA President and the committee meetings to the respective chairs, and direct staff to make any necessary updates to the CBA Guidelines and Procedures Manual and CBA Committee Resource Guide.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

- G. Mandatory Training for Board Members within the Department of Consumer Affairs.

Ms. Riordan provided an overview of the mandatory training requirements for CBA members.

- H. Discussion and Approval of the CBA's Preliminary Determinations Report Required Pursuant to Business and Professions Code Section 5096.21.

Mr. Stanley provided an overview of the agenda item. He stated that staff have included several changes, as directed by the CBA, including the method by which the CBA would gather additional information

from other states, how the information will be evaluated, and including a new section regarding NASBA's Guiding Principles of Enforcement.

It was moved by Ms. Salazar and seconded by Mr. Silverman to approve the Preliminary Determinations Report and delegate authority to the CBA President to approve the final language to be inserted on page 9 presenting the Legislature with the outcome of CBA agenda item X.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

- I. Announcement of New Committee and Liaison Appointments (Written Report Only).

There were no comments on this item.

- J. DCA Director's Report.

There was no report on this item.

III. Report of the Vice President.

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

There was no report on this item.

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

It was moved by Ms. Salazar and seconded by Ms. Berhow to reappoint Erin Sacco Pineda, CPA, to the QC for a two-year term, effective June 1, 2015 until May 31, 2017.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this item.

IV. Report of the Secretary/Treasurer.

- A. Fiscal Year 2014–15 Mid-Year Financial Statement and Governor’s Budget.

Ms. Berhow provided an overview of this agenda item. She stated that the CBA collected approximately \$4.2 million in total receipts through the third quarter of the fiscal year (FY) 2014–15. Total revenues decreased approximately 48 percent from the same period last year due to the fee reductions. Ms. Berhow stated that total expenditures through the third quarter increased by approximately 16 percent over the same period last fiscal year.

V. Report of the Executive Officer (EO).

- A. Update on the Relocation of the CBA’s Office.

Ms. Bowers stated that the lease has been signed and the anticipated move-in date is September of this year.

- B. Update on Staffing.

Ms. Bowers stated that the CBA would be recruiting for an Information Officer, as the position would be vacant at the end of the month.

- C. Update on the CBA 2013-2015 Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

VI. Report on the Enforcement Advisory Committee, Qualifications Committee, and the Peer Review Oversight Committee.

A. Enforcement Advisory Committee (EAC).

1. Report of the April 30, 2015 EAC Meeting.

Mr. De Lyser thanked Ms. Berhow for attending the EAC meeting. He stated that the EAC provided an orientation for the new member, Thomas Gilbert and held four investigative hearings.

B. Qualifications Committee (QC).

1. Report of the April 22, 2015 QC Meeting.

Mr. Ruehl thanked Ms. Ko and Ms. Wright for attending the recent QC meetings. He stated that the QC held an orientation for the new committee members and Ms. Wright, the new liaison. In addition to the orientation, the QC reviewed six section 69 reviews and five were recommended for approval by the QC.

C. Peer Review Oversight Committee (PROC).

1. Report on the May 1, 2015 PROC Meeting.

Mr. Lee reported on various oversight events that the PROC members participated in.

VII. Report of the Enforcement Chief.

A. Report on Enforcement Division Activity.

Mr. Franzella provided an overview of this agenda item. Mr. Franzella noted that the CBA received over 400 additional complaints since the last reporting period. He stated that 21 investigations have been pending for a period over 24 months; however, since the reporting date, nine of the cases were closed or referred to the Attorney General's Office. Lastly, Mr. Franzella stated that the CBA has been participating in the Franchise Tax Board Offset Program to collect past fines. He noted that the outstanding fines are approximately \$380,000 and since January 2015, the CBA has collected approximately \$30,000 in fine payments.

VIII. Report of the Licensing Chief.

A. Licensing Activity Report.

Ms. Sanchez stated that the examination and initial licensing units are processing applications within the 30-day timeframe. Ms. Sanchez stated that the process for providing reviews of educational documents for examination candidates to determine whether they meet the new

education requirements has been changed. She stated the new process provides candidates with the tools necessary to evaluate their education, including, a self-assessment checklist to identify if their education meets the licensing requirements.

Ms. Sanchez stated that President Campos and staff participated in outreach events, including “So You Want to Be a CPA?” and the California Society of Certified CPA’s (CalCPA) Accounting Educators Committee, and thanked CalCPA for the invitation to participate in the events.

IX. Committee Reports.

A. Committee on Professional Conduct (CPC).

1. Report of the May 28, 2015 CPC Meeting.
2. Discussion Regarding Possible Changes to California Code of Regulations (CCR) Section 9.1 – Foreign Credentials Evaluation Services Approval Criteria.

Ms. LaManna reported that the CPC considered a policy change that would improve the CBA’s oversight of foreign credentials evaluation services that review, evaluate, and provide the CBA with U.S. equivalency of education completed outside of the U.S. Ms. LaManna noted that during the meeting, the CPC discussed the various concepts in the agenda item.

The CPC recommended that the CBA approve the proposed concepts and direct staff to prepare a regulatory proposal for consideration at the next meeting.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Mr. Kaplan.

Absent: None.

The motion passed.

3. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations (CCR) Section 42 – Peer Review Exclusions.

Ms. LaManna reported that the CPC discussed changes to amend CBA Regulations section 42 regarding peer review exclusions in response to the American Institute of Certified Public Accountants (AICPA) issuing Statement on Standards for Accounting And Review Services (SSARS) 21.

The CPC recommended that the CBA initiate the rulemaking process to amend CBA Regulations section 42 to include preparation engagements in the peer review exclusions and direct staff to work with legal counsel to finalize regulatory language.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

B. Legislative Committee (LC).

1. Report of the May 28, 2015 LC Meeting.
2. Update on Legislation on Which the CBA Has Taken a Position and Discussion Regarding Possible Action (AB 85, SB 8, SB 467, and SB 799).

Mr. Silverman reported that the LC discussed the CBA's position on four bills. He noted that Assembly Bill (AB) 85, Senate Bill (SB) 8, and SB 799 had no change in status. He noted that the CBA's sunset review bill, SB 467, was amended to include the CBA's legislative proposal related to permanent practice restrictions and other non-CBA items related to the Department of Consumer Affairs and the Attorney General's Office. He also noted that AB 1386 was amended and was no longer relevant to the CBA.

The LC recommended that the CBA take the following actions:

- **Discontinue following AB 1386**
- **Revise its Support position on SB 467 to be specific to the extension of the CBA's sunset date, permanent practice restrictions, and the statistical reporting requirements**

related to cases referred to the AG's Office.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

3. Consideration of Positions on Newly Introduced Legislation.

a. AB 1060 – Professions and vocations: licensure.

Mr. Silverman reported that the LC discussed AB 1060 which further clarifies how boards send rehabilitation criteria information to individuals that have a suspended, revoked, or denied license.

The LC recommended that the CBA take a Neutral position on AB 1060.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

b. AB 750 – Business and professions: retired category: licenses.

Mr. Silverman reported that the LC discussed AB 750 which would authorize all DCA boards and bureaus to establish a retired license status through the regulatory process. Mr. Silverman noted that one of the provisions of the bill that states "the holder of a retired license shall not be required to renew that license" would be problematic to the CBA, as it requires that a license that is placed in retired status be renewed every two years. Lastly, he noted that the author's office is aware of the CBA's process and

has advised staff that they are working with Legislative Counsel on drafting an amendment to exempt the CBA and other boards with retired status.

The LC recommended that the CBA take a Neutral position on AB 750 and direct staff to work with the author's office regarding an amendment that will exempt the CBA from the bill.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

- c. AB 507 – Department of Consumer Affairs: BreEZe: annual report.

Mr. Silverman reported that the LC discussed AB 507 which would require DCA to submit an annual report to the Legislature regarding phase three implementation of BreEZe. He stated that the reporting requirement would include a timeline and plan for BreEZe implementation, estimated, costs, and a description of operational efficiencies that will be achieved.

The LC recommended that the CBA take a Support position on AB 507.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

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

No bills were discussed under this agenda item.

5. Discussion and Possible Action to Recommend a Legislative Proposal to Amend Business and Professions Code Section 5055 Relating to the Title of Certified Public Accountant.

Mr. Silverman reported that the LC discussed amending Business and Professions Code section 5055 with clarifying language. He noted that, as presently written, section 5055 was unclear how the section applies to practice privilege holders.

The LC recommended that the CBA adopt a legislative proposal incorporating reference to Article 5.1 in section 5055 and direct staff to submit the proposal to the Legislature for inclusion in the omnibus bill.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

C. Enforcement Program Oversight Committee (EPOC).

1. Report of the May 28, 2015 EPOC Meeting.
2. Discussion Regarding Compelling Physical or Mental Health Evaluations of Licensees or Applicants.

Ms. Ko reported that the EPOC discussed compelling physical or mental health evaluations of licensees or applicants. She noted that the members previously discussed the topic in September 2014 and had directed staff to complete additional research. Ms. Ko stated that the EPOC discussed when this type of evaluation would be applicable and legal counsel clarified that such evaluations would only occur when there is evidence that a mental illness has an effect on competency.

The EPOC recommended that staff contact DCA and other boards to gauge interest in developing a more general statute covering all licensing bodies.

Yes: Ms. Anderson, Ms. Berhow, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Mr. Savoy, and Mr. Silverman.

No: Mr. Campos, Ms. Salazar, and Ms. Wright.

Abstain: None.

Absent: None.

The motion passed.

The EPOC recommended directing staff to begin developing a legislative proposal with language similar to Business and Professions code (BPC) section 820.

Yes: Ms. Anderson, Ms. Berhow, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Mr. Savoy, and Mr. Silverman.

No: Mr. Campos, Ms. Salazar, and Ms. Wright.

Abstain: None.

Absent: None.

The motion passed.

D. Mobility Stakeholder Group (MSG).

1. Report of the May 28, 2015 MSG Meeting.
2. The MSG Decision Matrix and Stakeholder Objectives (Written Report Only).

There were no comments on this agenda item.

3. Analysis and Guidance From the MSG Regarding NASBA's Guiding Principles of Enforcement.

Ms. Salazar reported that the MSG reviewed the NASBA's Guiding Principles of Enforcement. She stated that NASBA had

communicated that the portion of the guidelines regarding staffing ratios would be changed to remove specific ratios. Ms. Salazar stated that with the change, the MSG's opinion is that the NASBA's Guiding Principles of Enforcement meet or exceed the enforcement practices of the CBA.

4. Discussion About the Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21.

Ms. Salazar reported that the MSG discussed the timeline regarding determinations to be made pursuant to BPC section 5096.21. She stated that the MSG did not take action and the timeline would become a standing MSG agenda item to allow the MSG an opportunity to discuss its contents as needed.

Mr. Campos recommended that staff do not send communication to other states until additional information is gathered and allow the Executive Officer to determine when the communication should be sent.

5. Discussion Regarding NASBA's Activities and CPAVerify.

Ms. Salazar reported that the NASBA will be holding its Western Regional Meeting in California on June 17-19, 2015. She stated that currently five states are not participating in the Accountancy Licensee Database (ALD) and CPAVerify, however, NASBA has indicated that Michigan will join ALD within a month.

6. Discussion Regarding Proposed Agenda Items for the Next MSG Meeting.

Ms. Salazar reported that if the letters are sent to other states requesting additional information to assist the CBA in making its state-by-state determination, staff will bring any initial responses and the MSG will be discussing the procedural issues for how the states will be reviewed to determine substantial equivalency.

- X. Public Hearing and Possible Finding as to Whether NASBA's Guiding Principles of Enforcement Meet or Exceed the CBA's Enforcement Practices Made Pursuant to Business and Professions Code Section 5096.21(c)(2).

It was moved by Ms. Salazar and seconded by Ms. Anderson that the CBA accepts the NASBA's Guiding Principles of Enforcement as meeting the CBA's enforcement practices and authorize the CBA President or Executive Officer to approve any non-substantive

changes.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Jian Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

XI. Acceptance of Minutes.

A. Draft Minutes of the March 19-20, 2015 CBA Meeting.

B. Minutes of the March 19, 2015 MSG Meeting.

C. Minutes of the March 19, 2015 CPC Meeting.

D. Minutes of the March 19, 2015 LC Meeting.

E. Minutes of the March 19, 2015 EPOC Meeting.

F. Minutes of the January 29, 2015 EAC Meeting.

G. Minutes of the January 30, 2015 PROC Meeting.

H. Minutes of the January 21, 2015 Meeting.

It was moved by Mr. Kaplan and seconded by Ms. LaManna to approve agenda items XI.A. – XI.H., including the non-substantive changes to XI.A. which were provided by Mr. Campos.

Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Ms. Salazar, Mr. Savoy, and Mr. Silverman.

No: None.

Abstain: Mr. Ou-Yang and Ms. Wright.

Absent: None.

The motion passed.

XII. 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. Report on Strategic Planning Task Force.

Ms. Bowers reported that Mr. Savoy's request to attend the Strategic Planning Task Force meeting, being held in Dallas, Texas, in June was approved.

XIII. Closing Business.

A. Public Comments.*

There were no comments.

B. Agenda Items for Future CBA Meetings.

There were no suggested agenda items for future CBA meetings.

C. Press Release Focus.

Ms. Pearce proposed a press release topic regarding the CBA's findings on NASBA's Guiding Principles of Enforcement.

Mr. Campos congratulated Ms. Berhow on her reappointment to the CBA.

XIV. Closed Session.

A. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Proposed Decisions).

B. Pursuant to Government Code Section 11126(e), the CBA Convened Into Closed Session to Receive Advice from Legal Counsel on Litigation (David Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2014-00751855-CU-BT-CJC; David Greenberg v. California Board of Accountancy, Los Angeles County Superior Court, Case No. BS155045; and David Greenberg v. Erin Sunseri, et al., U.S. District Court, Southern District of Florida, Case No. 15-CV-80624.).

President Campos adjourned the meeting at 10:26 a.m. on Friday, May 29, 2015.

_____ Jose A. Campos, CPA, President

_____ Alicia Berhow, Secretary-Treasurer

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

**DEPARTMENT OF CONSUMER AFFAIRS**

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MSG Item I.
 July 23, 2015

CBA Item XI.B.
 July 22-23, 2015

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
May 28, 2015
MOBILITY STAKEHOLDER GROUP (MSG) MEETING

DRAFT

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 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000
 Fax: (310) 410-6250

CALL TO ORDER

Katrina Salazar, Chair, called the meeting of the MSG to order at 10:54 a.m.
 Ms. Salazar requested that the roll be called.

Members

Katrina Salazar, CPA, Chair	Present
Joe Petito, Vice Chair	Present
Don Driftmier, CPA	Absent
Dominic Franzella	Present
Ed Howard, Esq.	Absent
Michael Savoy, CPA	Present
Stuart Waldman	Present

CBA Members Observing

Sally Anderson, CPA
 Alicia Berhow
 Jose Campos, CPA, President
 Herschel Elkins, Esq.
 Larry Kaplan
 Kay Ko
 Leslie LaManna, CPA
 Xochitl León
 Jian Ou-Yang, CPA

Mark Silverman, Esq.
Kathleen Wright, Esq., CPA

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Pat Billingsley, Regulations Analyst
Kate Kay, Legislative Analyst
Corey Riordan, Board Relations Analyst
Gina Sanchez, Licensing Chief
Kristy Schieldge, Senior Staff Counsel, Department of Consumer Affairs, Legal Affairs
Matthew Stanley, Manager, Examination and Practice Privilege Units
Dorothy Osgood, Supervising Investigative Certified Public Accountant
Carl Sonne, Deputy Attorney General, Department of Justice

Other Participants

Ken Bishop, President and Chief Executive Officer, National Association of State Boards of Accountancy (NASBA)
Maria Caldwell, Chief Legal Officer and Director of Compliance Services, NASBA
Stacey Grooms, Regulatory Affairs Manager, NASBA
Bruce Allen, California Society of Certified Public Accountants (CalCPA)
Robert Lee, CPA, Chair, Peer Review Oversight Committee
Jason Fox, CalCPA
Jeffrey De Lyser, CPA, Chair, Enforcement Advisory Committee
Pilar Oñate-Quintana, KP Public Affairs
Jonathan Ross, KP Public Affairs
Loretta Doon, Chief Executive Officer, CalCPA

I. Approval of Minutes of the March 19, 2015 MSG Meeting.

It was moved by Mr. Franzella and seconded by Mr. Petito to approve the minutes of the March 19, 2015 MSG Meeting.

Yes: Ms. Salazar, Mr. Petito, Mr. Waldman, Mr. Savoy, and Mr. Franzella.

No: None.

Abstain: None.

Absent: None.

The motion passed.

II. Introduction of New MSG Members, Don Driftmier and Michael Savoy.

Ms. Salazar introduced the newest members of the MSG, Mr. Don Driftmier and Mr. Michael Savoy. Mr. Driftmier was unable to attend this meeting.

III. The MSG Decision Matrix and Stakeholder Objectives (Written Report Only).

Mr. Stanley provided a written report highlighting decisions made by the MSG, as well as the stakeholder objectives identified to date.

IV. Analysis and Guidance from the MSG Regarding NASBA's Guiding Principles of Enforcement.

The MSG considered the guidance it would provide the CBA on whether NASBA's Guiding Principles of Enforcement (Enforcement Guidelines) meet or exceed the CBA's enforcement practices.

It was communicated by NASBA that the portion regarding staffing ratios would be changed to remove specific numbers and ratios while maintaining the more generally worded portions.

With that change, the MSG opined that the NASBA Enforcement Guidelines meet or exceed the CBA's enforcement practices.

It was moved by Ms. Salazar and seconded by Mr. Petito that with the proposed edits, the MSG is of the opinion that the NASBA Enforcement Guidelines meet or exceed the CBA's enforcement practices pursuant to Business and Professions Code section 5096.21.

Yes: Mr. Waldman, Mr. Savoy, Mr. Petito, and Ms. Salazar.

No: None.

Abstain: Mr. Franzella.

Absent: None.

The motion passed.

V. Discussion About the Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21.

Mr. Stanley presented the timeline for activities regarding the determinations to be made pursuant to Business and Professions Code section 5096.21. Mr. Stanley reported that the CBA is required to determine whether allowing the licensees of

another state to practice in California under the current mobility provisions violates its duty to protect the public, and that these determinations need to be made on and after January 1, 2016.

At its March 19, 2015 meeting, the CBA approved a timeline for undertaking this project along with other practice privilege-related activities. Staff added information regarding the NASBA Enforcement Guidelines and how states may be deemed to be substantially equivalent to those Enforcement Guidelines into the timeline and will continue to update as needed. This will become a standing agenda item to allow the MSG an opportunity to discuss its contents as needed.

VI. Discussion Regarding NASBA's Activities and CPAVerify.

At the joint meeting of the CBA and MSG, held immediately prior to this MSG meeting, NASBA presented its Enforcement Guidelines. Mr. Stanley reported NASBA will hold its Western Regional Meeting in California June 17-19. He stated several topics of importance to the CBA will be discussed, including peer review and changes to the Uniform CPA Exam.

Mr. Stanley also reported there are still five states not yet participating in the Accountancy Licensee Database (ALD) and CPAVerify, which are Delaware, Hawaii, Michigan, Utah, and Wisconsin. Ms. Caldwell indicated that NASBA expects Michigan to join the ALD within the next month.

VII. Discussion Regarding Proposed Agenda Items for the Next MSG Meeting.

Mr. Stanley reported that a letter will be sent to states seeking the additional information outlined in March which will assist the CBA in making its state-by-state determinations. He stated that staff will bring any initial responses received to the July MSG meeting.

The MSG added a topic to discuss the procedural issues for how the states will be reviewed to determine substantial equivalency to the NASBA Enforcement Guidelines.

VIII. Public Comments.

There were no public comments.

There being no further business, the meeting was adjourned at 11:16 a.m.



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MSG Item I.
 July 23, 2015

CBA Item XI.C.
 July 22-23, 2015

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
May 28, 2015
JOINT CBA &
MOBILITY STAKEHOLDER GROUP (MSG) MEETING

Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000

Roll Call and Call to Order.

CBA President Jose Campos and MSG Chair, Katrina Salazar, called the meeting to order at 9:03 a.m. on Thursday, May 28, 2015 at the Hilton Los Angeles Airport.

CBA Members

May 28, 2015

Jose Campos, CPA, President	9:03 a.m. to 10:34 a.m.
Katrina Salazar, CPA, Vice-President	9:03 a.m. to 10:34 a.m.
Alicia Berhow, Secretary/Treasurer	9:03 a.m. to 10:34 a.m.
Sarah (Sally) Anderson, CPA	9:03 a.m. to 10:34 a.m.
Herschel Elkins, Esq.	9:03 a.m. to 10:34 a.m.
Laurence (Larry) Kaplan	9:03 a.m. to 10:34 a.m.
Louise Kirkbride	Absent
Kay Ko	9:03 a.m. to 10:34 a.m.
Leslie LaManna, CPA	9:03 a.m. to 10:34 a.m.
Xochitl León	9:03 a.m. to 10:34 a.m.
Jian Ou-Yang, CPA	9:03 a.m. to 10:34 a.m.
Michael Savoy, CPA	9:03 a.m. to 10:34 a.m.
Mark Silverman, Esq.	9:22 a.m. to 10:34 a.m.
Kathleen Wright, CPA	9:03 a.m. to 10:34 a.m.

MSG Members

Katrina Salazar, CPA, Chair	9:03 a.m. to 10:34 a.m.
Joseph Petito, Esq., Vice-Chair	9:03 a.m. to 10:34 a.m.

Donald Driftmier, CPA	Absent.
Dominic Franzella	9:03 a.m. to 10:34 a.m.
Edward Howard, Esq.	Absent
Michael Savoy, CPA	9:03 a.m. to 10:34 a.m.
Stuart Waldman, Esq.	9:03 a.m. to 10:34 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Assistant Executive Officer
 Rich Andres, Information Technology Staff
 Pat Billingsley, Regulations Analyst
 Dominic Franzella, Chief, Enforcement Division
 Kathryn Kay, Legislation Analyst
 Dorothy Osgood, Enforcement Supervising ICPA
 Corey Riordan, Board Relations Analyst
 Gina Sanchez, Chief, Licensing Division
 Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)
 Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
 Matthew Stanley, Examination and Practice Privilege Manager

Committee Chairs and Members

Robert Lee, Chair, Peer Review Oversight Committee
 Jeffrey De Lyser, Chair, Enforcement Advisory Committee
 Robert Ruehl, Chair, Qualifications Committee

Other Participants

Bruce Allen, California Society of Certified Public Accountants (CalCPA)
 Ken Bishop, President and Chief Executive Officer, National Association of State Boards of Accountancy (NASBA)
 Maria Caldwell, Chief Legal Counsel and Director of Compliance Services, NASBA
 Loretta Doon, Chief Executive Officer, CalCPA
 Jason Fox, CalCPA
 Stacey Grooms, Regulatory Affairs Manager, NASBA
 Jon Ross, KP Public Affairs

- I. Discussion on the National Association of State Boards of Accountancy's (NASBA) Guiding Principles of Enforcement and its Comparison to the California Board of Accountancy's Enforcement Practices, Pursuant to Business and Professions Code Section 5096.21.

Mr. Campos welcomed NASBA's staff: Ken Bishop, Maria Caldwell, and Stacey Grooms.

Mr. Bishop provided an overview of the NASBA's Guiding Principles of

Enforcement.

Ms. Caldwell provided the background of the process to complete the NASBA's Guiding Principles of Enforcement (NASBA Enforcement Guidelines). She stated that the process began approximately three years ago with NASBA's Enforcement Resources Committee producing an enforcement resources guide, which provides, components, guides, and sample forms. The Enforcement Resource Guide can be accessed by state boards via NASBA's website. She stated that after completing the resource guide, NASBA produced the NASBA Enforcement Guidelines by focusing on what the day-to-day operations of a good enforcement program look like. Lastly, she reviewed the five components that comprise the NASBA Enforcement Guidelines.

Ms. Salazar inquired if NABSA will continue to monitor states enforcement program and provide updates on the changes.

Mr. Bishop stated that NASBA is aware that the process will be continuous and NASBA is committed to continuing to monitor states' programs.

Mr. Franzella reviewed the comparison of NASBA Enforcement Guidelines to the CBA's Enforcement Program. Mr. Franzella stated that the time frames outlined in the NASBA Enforcement Guidelines align closely to the performance measures adopted by the CBA and that overall, staff believes that the CBA's enforcement practices meet the NASBA Enforcement Guidelines.

Mr. Franzella provided an overview of the CBA's enforcement resources to adequately staff investigations, including the CBA's process to increase or decrease staffing resources and the CBA's ratios of CPA licensees to enforcement staff.

Mr. Campos requested that NASBA provide additional information regarding the ratios, as it is difficult to compare to the CBA's practices.

Ms. Caldwell stated that this area was the most difficult to put into a number and it was determined that the ratios were an over-simplified measure of what the investigative process is and it was not a good measurement of effective enforcement. She stated that after the Enforcement Resources Committee's review, NASBA recommended that the ratios be removed and instead focus on the measures, including workload, the time it takes to complete an investigation, and factors that warrant modification in staffing.

Mr. Elkins suggested the NASBA may want to examine how easy it is to make a complaint with various states.

Mr. Franzella reviewed various resources used by the CBA to perform and complete its investigations, including the qualifications and training of the

investigators. He stated that staff believe the CBA enforcement practices meets the NASBA Enforcement Guidelines as it relates to enforcement resources to adequately staff investigations. Mr. Franzella noted that staff did have some concerns with respect to the ratios identified in this section of the NASBA Enforcement Guidelines, however, after the dialogue from Ms. Caldwell to address the issue and to remove the ratios he did not have any other concerns.

Mr. Franzella reviewed the CBA's case management, review of discipline from other agencies, and probationer tracking. He stated that the CBA has recently began assessing risk factors for licensees placed on probation and staff will conduct practice investigations to further ensure compliance with probationers. Mr. Franzella stated that staff believe the CBA's enforcement practices meets the principles associated with case management.

Mr. Franzella reviewed the CBA's disciplinary guidelines, including the factors in assessing penalties, mitigation, and aggravating factors. Mr. Franzella stated that staff believes the CBA's enforcement practices meets the NASBA Enforcement Guidelines as it relates to the principles for disciplinary guidelines.

Mr. Franzella stated that in regards to the internet disclosure section of the guidelines, the CBA participates in NASBA's Accountancy Licensee Database and CPAVerify. Additionally, the CBA maintains information on its website for consumers including a license lookup feature and publishing disciplinary actions. Mr. Franzella stated that staff believes the CBA's enforcement practices meets the NASBA Enforcement Guidelines as it relates to the internet disclosure requirements.

Mr. Petito inquired if in its totality, the NASBA Enforcement Guidelines meet or exceed the California's standards.

Mr. Campos stated that the CBA will deliberate on the question and that staff's observations were that the CBA's program is at least equal to what is being framed in the NASBA Enforcement Guidelines, with the exception of the ratio aspect in section 2.

II. Public Comments.

There were no comments.

President Campos adjourned the meeting at 10:34 a.m. on Thursday, May 28, 2015.

Jose A. Campos, CPA, President

Katrina Salazar, CPA, MSG Chair

Corey Riordan, Board Relations Analyst, and Patti Bowers, Executive Officer, prepared the Joint CBA and MSG meeting minutes. If you have any questions, please call (916) 561-1718.



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LC Item I.
 July 23, 2015

CBA Item XI.D.
 July 22-23, 2015

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
May 28, 2015
LEGISLATIVE COMMITTEE (LC) MEETING

DRAFT

Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000

The regularly scheduled meeting of the LC was called to order at approximately 11:41 a.m. on May 28, 2015, by LC Chair, Mark Silverman.

LC Members

Mark Silverman, Chair, Esq.	11:41 a.m. – 12:10 p.m.
Sarah (Sally) Anderson, CPA	11:41 a.m. – 12:10 p.m.
Herschel Elkins, Esq.	11:41 a.m. – 12:10 p.m.
Xochitl León	11:41 a.m. – 12:10 p.m.
Laurence (Larry) Kaplan	11:41 a.m. – 12:10 p.m.
Michael Savoy, CPA	11:41 a.m. – 12:10 p.m.
Kathleen Wright, CPA	11:41 a.m. – 12:10 p.m.

CBA Members Observing

Jose Campos, CPA, President
 Katrina Salazar, CPA, Vice-President
 Alicia Berhow, Secretary/Treasurer
 Kay Ko
 Leslie LaManna, CPA
 Jian Ou-Yang, CPA

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
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Corey Riordan, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Senior Staff Counsel, DCA Legal Affairs
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Manager, Examination and Practice Privilege Units

Committee Chairs and Members

Jeffrey De Lyser, CPA, Chair, Enforcement Advisory Committee
Robert Lee, CPA, Chair, Peer Review Oversight Committee
Stuart Waldman, Mobility Stakeholder Group

Other Participants

Bruce Allen, California Society of Certified Public Accountants (CalCPA)
Loretta Doon, Chief Executive Officer, CalCPA
Jason Fox, CalCPA
Pilar Oñate Quintana, KP Public Affairs
Joseph Petito, The Accountants Coalition
Jon Ross, KP Public Affairs

- I. Approve Minutes of the March 19, 2015, LC Meeting.

It was moved by Mr. Savoy and seconded by Mr. Elkins to adopt the minutes of the March 19, 2015, LC meeting.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Mr. Kaplan, Ms. León, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

- II. Update on Legislation on Which the CBA Has Taken a Position and Discussion Regarding Possible Action (AB 85, SB 8, SB 467, and SB 799).

Ms. Kay provided an overview of this item. She highlighted that of the bills being monitored by the CBA, Assembly Bill (AB) 1386 has been amended in such a way that is no longer relevant to the CBA and now deals exclusively with emergency medical care.

It was moved by Mr. Elkins and seconded by Ms. Anderson to recommend that the CBA discontinue following AB 1386.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Mr. Kaplan, Ms. León, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

Ms. Kay provided a status update regarding the four bills the CBA has taken positions on. She reported that AB 85, Senate Bill (SB) 8, and SB 799 had no change in status regarding their impact on the CBA. Ms. Kay reported that the CBA's Sunset Review Bill, SB 467, was amended to include the CBA's legislative proposal related to permanent practice restrictions and items related to the Department of Consumer Affairs (DCA) and the Attorney General's (AG) Office. She added that the CBA may wish to consider revising its support position to be specific to the extension of the CBA's sunset date, permanent practice restrictions, and may also wish to consider supporting the provision related to the AG's Office, as it seeks to promote government transparency.

Ms. Kay reported that SB 467 is presently being held in the Senate Committee on Appropriations' suspense file, which would be reconsidered for passage to the Senate floor later that afternoon.

It was moved by Mr. Elkins and seconded by Mr. Savoy to recommend that the CBA revise its Support position on SB 467 to be specific to the extension of the CBA's sunset date, permanent practice restrictions, and the statistical reporting requirements related to cases referred to the AG's Office.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Mr. Kaplan, Ms. León, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

III. Consideration of Positions on Newly Introduced Legislation.

A. AB 1060 – Professions and vocations: licensure.

Ms. Kay reported this bill was originally discussed at the March meeting and has been amended to further clarify how boards send rehabilitation criteria information to individuals that have had a license suspended, revoked, or denied. She noted that with the recent amendment, the LC's previous concern regarding ambiguity of the term "electronic means" has been addressed. She added staff anticipates this bill will have minimal operational impacts associated with implementation.

It was moved by Mr. Savoy and seconded by Mr. Elkins to recommend that the CBA take a Neutral position on AB 1060.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Ms. León, Mr. Kaplan, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

B. AB 750 – Business and professions: retired category: licenses.

Ms. Kay reported that this bill would authorize all DCA boards and bureaus to establish a retired license status through the regulatory process, should they desire to do so. She noted language contained in the bill that exempts a retired status license from the renewal process is problematic for the CBA, since its present process specifically requires that this license category be renewed biannually. She added that the author's office has been provided this information and has expressed a commitment to work with the CBA regarding amendments that will exempt it from the bill.

It was moved by Mr. Elkins and seconded by Ms. Anderson to recommend that that the CBA take a Neutral position on AB 750 and direct staff to work with the author's office regarding an amendment that will exempt the CBA from the bill.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Ms. León, Mr. Kaplan, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

C. AB 507 – Department of Consumer Affairs: BreEZe: annual report.

Ms. Kay reported that this bill would require the DCA to submit an annual report to the Legislature regarding phase three implementation of BreEZe for the remaining 19 boards. Ms. Kay highlighted that the CBA is included in phase three of BreEZe. She added that the reporting requirement would begin on January 1, 2016, and would include a timeline and plan for BreEZe implementation, estimated costs, and a description of operational efficiencies that will be achieved.

It was moved by Mr. Elkins and seconded by Ms. León to recommend that the CBA take a Support position on AB 507.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Ms. León, Mr. Kaplan, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

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

There were no bills to report under this item.

V. Discussion and Possible Action to Recommend a Legislative Proposal to Amend Business and Professions Code Section 5055 Relating to the Title of Certified Public Accountant.

Ms. Kay provided an overview of this item. She highlighted that present language contained in Business and Professions Code (BPC) section 5055 does not specifically address whether a practice privilege holder may use the CPA designation. She noted that the real issue centers on the term “received from the board” in BPC section 5055. She highlighted that although this section specifies that an individual must receive a certificate from the CBA prior to using the CPA designation in California, under the new practice privilege program, actual certificates are not issued to practice privilege holders.

Ms. Kay highlighted that the CBA has historically interpreted the spirit of BPC section 5096.7 – which states that anywhere the term “license,” “licensee,” “permit,” or “certificate” is used in the Accountancy Act – includes practice privilege holders. She stated that a clarifying amendment that incorporated reference to practice

privilege provisions contained in Article 5.1 would make it clear to consumers and practice privilege holders that these individuals may use the CPA designation.

It was moved by Mr. Elkins and seconded by Mr. Kaplan to recommend that the CBA adopt a legislative proposal incorporating reference to Article 5.1 in Section 5055 and direct staff to submit this proposal to the Legislature for inclusion in the omnibus bill.

Yes: Mr. Silverman, Ms. Anderson, Mr. Elkins, Ms. León, Mr. Kaplan, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

VI. Public Comment for Items Not on the Agenda.

None.

VII. Agenda Items for Next Meeting.

None.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at approximately 12:10 p.m. on May 28, 2015.



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CBA Item XI.E.
 July 22-23, 2015

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
APRIL 30, 2015
ENFORCEMENT ADVISORY COMMITTEE (EAC) MEETING

FINAL

Hilton Los Angeles Airport
 5711 West Century Blvd
 Los Angeles, CA 90045
 Telephone: (310) 410-6184

I. Roll Call and Call to Order.

The regularly scheduled meeting of the EAC was called to order at 9:00 a.m. on April 30, 2015 by EAC Chair, Jeffrey De Lyser, CPA.

Members

Jeffrey De Lyser, CPA, Chair	Present
Joseph Rosenbaum, CPA, Vice-Chair	Absent
Katherine Allanson, CPA	Present
Dale Best, CPA	Present
Joseph Buniva, CPA	Present
Gary Caine, CPA	Present
Nancy Corrigan, CPA	Present
Mary Rose Caras, CPA	Absent
William Donnelly, CPA	Present
Thomas Gilbert, CPA	Present
Robert A. Lee, CPA	Present
Mervyn McCulloch, CPA	Absent
Michael Schwarz, CPA	Absent

CBA Members

Alicia Berhow

CBA Staff and Legal Counsel

Dominic Franzella, Chief, Enforcement Division
 Paul Fisher, Supervising Investigative CPA
 Dorothy Osgood, Supervising Investigative CPA
 Jenny Sheldon, Enforcement Manager
 Gary Berkel, Investigative CPA
 Jane Cuellar, Investigative CPA

Nancy Huynh, Investigative CPA
David Jones, Investigative CPA
Gogi Overhoff, Investigative CPA
Allison Nightingale, Enforcement Technician
Carl Sonne, Deputy Attorney General (DAG), Department of Justice

Other Participants

Libi Uremovic

II. Report of the Committee Chair (**Jeffrey De Lyser**).

A. Approval of the January 29, 2015 EAC Meeting Minutes.

It was moved by Mr. Lee and seconded by Ms. Corrigan to approve the minutes of the January 29, 2015 EAC meeting.

Yes: Ms. Allanson, Mr. De Lyser, Mr. Best, Mr. Caine, Ms. Corrigan, Mr. Buniva and Mr. Lee.

No: None.

Abstain: Mr. Donnelly and Mr. Gilbert.

The motion passed.

III. Report of the CBA Liaison (**Alicia Berhow, Secretary/Treasurer**).

A. Report of the March 19-20, 2015 CBA and Committee Meetings.

Mr. Franzella provided the report for this agenda item. He reported that at the March CBA meeting, the National Association of State Boards of Accountancy provided a presentation regarding possible changes to the Uniform CPA Exam as a result of the practice analysis that it is presently conducting.

Mr. Franzella reported the CBA approved the 2016 CBA meeting dates.

Mr. Franzella reported that the CBA appointed Mr. Gilbert and reappointed Mr. Donnelly to the EAC.

Mr. Franzella reported that in order to ensure that the CBA has the financial resources to carry out its mission of consumer protection, the CBA approved an increase in the license renewal and initial permit fee of \$200. A regulatory hearing will be conducted at the May CBA meeting and it is anticipated that the new fee levels will be effective July 2016.

Mr. Franzella reported that the CBA took positions on various bills.

Mr. Franzella stated that the next CBA meeting will be held on May 28-29, 2015 in Los Angeles.

Mr. Buniva asked a question regarding SB 8 which proposes to amend California's tax system to include taxes on information and services, including accounting and tax preparation fees. Mr. Franzella stated that the CBA has an interest in the bill but that the bill does not have a direct impact on consumer protection which is why the CBA chose to take a watch position.

IV. Report of the Enforcement Chief (**Dominic Franzella**).

A. Enforcement Activity Report.

Mr. Franzella reported that 500 additional complaints were received since the last reporting period. He stated that the majority of the complaints were from internal units within the CBA and the top three complaints are conviction of a crime, peer review, and continuing education deficiencies.

Mr. Franzella reported that the CBA closed 300 investigations since the previous report. He also reported that the CBA presently has 73 investigations pending for a period of 18-24 months and that with new staffing resources, the Enforcement Division will be better positioned to manage the increased inventory of cases.

Mr. Franzella reported on discipline cases currently assigned to the Attorney General's (AG) Office. He stated that only four cases reported are pending for more than 24 months.

Mr. Franzella reported that the current year average for number of days to issue a citation was higher than the two previous fiscal years due to the high volume and efficiency with which peer review citations were issued.

Mr. Franzella reported that upon completion of the disciplinary process, matters are referred to the CBA probation monitor for tracking and compliance with the terms of probation. He noted that CBA staff will provide an overview of the probation monitoring process at an upcoming CBA meeting. He noted that staff began scheduling additional probation meetings outside of the EAC meeting schedule.

Mr. Franzella stated that all licensees renewing a license in an active status are required to have fingerprints on file for the purpose of conducting a state and federal criminal offender record information background check. He reported that the CBA issued 11,400 notification letters stating that the CBA has no electronic record of the licensee's fingerprints on file. Of the 11,400 notification letters issued, the CBA received 7,551 compliances with CPA fingerprints being cleared. He also stated that the CBA opened investigations on all CPAs who failed to have their fingerprints taken. He also reported that for Fiscal Year (FY) 2014/15, 97 cases have been assigned for investigation, 275 cases have been closed, and 28 non-compliance citation and fines were issued.

Mr. Franzella reported on mobility. He stated that in FY 2014/15, 10 complaints were opened against practice privilege holders. He also stated that staff sent letters to all CPAs who were disciplined by either the Securities and Exchange

Commission or the Public Company Accounting Oversight Board to inform them that they must seek CBA authorization prior to practicing in California.

Mr. Franzella gave an update on staffing at the CBA. He reported that the Discipline and Probation Monitoring Unit filled the two vacant Associate Governmental Program Analyst positions. He also reported that Dorothy Osgood filled the vacant Supervising Investigative CPA position.

B. Report on Accusations and Final Disciplinary Orders Since January 29, 2015.

Mr. Franzella reported that since the January 29, 2015 EAC meeting, the CBA has filed 10 accusations and taken six disciplinary actions. All matters were listed in the summary provided in the EAC packets.

V. Public Comments for Items not on the Agenda.

Ms. Libi Uremovic offered a public comment.

VI. Review Enforcement Files on Individual Licensees.

[Closed Session: The EAC met in closed session to review and deliberate on enforcement files as authorized by Government Code section 11126(c)(2) and Business and Professions Code section 5020.]

VII. Conduct Closed Hearings.

[The Committee met in closed session as authorized by Government Code sections 11126(c)(2) and (f)(3) and Business and Professions Code section 5020 to conduct closed sessions to interview and consider possible disciplinary action against an individual licensee or applicant prior to the filing of an accusation.]

VIII. Adjournment.

The next EAC meeting is scheduled for July 9, 2015 at the CBA office in Sacramento.

Having no further business to conduct, the EAC general meeting adjourned at approximately 9:37 a.m. to convene in closed session. Closed session adjourned at approximately 11:30 a.m. Closed session reconvened for investigative hearings from 1:00 p.m. to 5:00 p.m.

Jeffrey De Lyser, CPA, Chair
Enforcement Advisory Committee

Prepared by: Allison Nightingale, Enforcement Technician



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CBA Item XIII.C.
July 22-23, 2015

Press Release Focus

Presented by: Deanne Pearce, Assistant Executive Officer

Purpose of the Item

The purpose of this agenda item is to provide suggestions for an appropriate focus for the press release to be issued following each California Board of Accountancy (CBA) meeting. This is a dynamic analysis based on the activities of each CBA meeting.

Action(s) Needed

No specific action is required on this agenda item.

Background

None.

Comments

The below press releases were issued following the May 2015 CBA meeting:

“CBA Issues Finding on National Enforcement Guidelines” (**Attachment 1**)
“California Board of Accountancy Welcomes New Board Member” (**Attachment 2**)

Additionally, various Enforcement Action news releases (**Attachment 3**) were issued in early July .

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommendation will be made at the time of this presentation.

Attachments

1. CBA Issues Finding on National Enforcement Guidelines
2. California Board of Accountancy Welcomes New Board Member
3. Enforcement Action News Releases

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NEWS RELEASE

Attachment 1

CBA ISSUES FINDING ON NATIONAL ENFORCEMENT GUIDELINES

Sacramento - The California Board of Accountancy unanimously issued a finding that the National Association of State Boards of Accountancy's Guiding Principles of Enforcement meets the CBA's enforcement practices.

NASBA developed these Enforcement Guidelines to serve as a national model to which it believes all state boards of accountancy should aspire. These principles provide guidance to states in various areas of enforcement including timeframes, resources, case management, disciplinary guidelines, and Internet disclosure.

"Issuing this finding was an important step in the CBA's ongoing determination of whether the licensees of certain states should be allowed to continue practicing in California under the CBA's no notice, no fee practice privilege program." said CBA President Jose A. Campos, CPA. "We want to make sure that California's consumers are being protected when they use the services of these out-of-state CPAs."

The CBA will now compare how other states' enforcement programs perform relative to the NASBA Enforcement Guidelines. This ensures that those out-of-state licensees practicing in California under the practice privilege program are being properly monitored by their licensing jurisdiction, thereby protecting California's consumers of accounting services.

The CBA anticipates that this comparison will take place throughout the remainder of 2015.

###

Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 97,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

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NEWS RELEASE

Attachment 2

CALIFORNIA BOARD OF ACCOUNTANCY WELCOMES NEW BOARD MEMBER

SACRAMENTO – The California Board of Accountancy (CBA) has announced the appointment of Deidre Robinson, of Vacaville, to the CBA. She has been director of strategic alliances at Golden Gate University since 2007. Ms. Robinson is a member of the California Advisory Council on Military Education, Society for Human Resource Management, Golden Gate University Human Resource Management Advisory Committee and the CoachArt San Francisco Board. She is also vice treasurer of the Alpha Kappa Alpha Sorority Inc. Tau Upsilon Omega Chapter.

Ms. Robinson was a manager of corporate education at the University of Phoenix, Western Region from 2000 to 2006, a business manager at Dun and Bradstreet from 1995 to 2000 and a training manager at the Contra Costa County Sheriff's Office from 1988 to 1995.

Ms. Robinson earned a Master of Science degree in human resource management from Golden Gate University. She fills a public member seat on the 15 member CBA, which is comprised of eight public members and seven who are CPAs.

Ms. Robinson was appointed by Governor Edmund G. Brown, Jr. on June 26, 2015. This position does not require Senate confirmation and compensation is \$100 per diem and expenses pursuant to Business and Professions Code section 103. She is a Democrat.

###

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Subscribe to CBA [E-News](#) to receive links to the latest digital edition of UPDATE and the latest information on CBA programs and activities.



Sent to Frank.Pine@langnews.com (The San Bernardino Sun) and Deanne.Goodman@patch.com (Banning-Beaumont Patch) on July 6, 2015

William Kevin Aylward, Cherry Valley, CA (CPA 47025) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#A_2017

Sent to business@latimes.com (The Los Angeles Times) on July 6, 2015

Barak, Richter & Dror, CPAs, Los Angeles, CA (PAR 6812) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#B_1990

Sent to dwyatt@mantecabulletin.com (The Manteca Bulletin) on July 6, 2015

Christopher Lee Barna, aka Chris Barna, Manteca, CA (CPA 116544) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#B_2025

Sent to metro@sacbee.com (The Sacramento Bee) and Susan.Schena@patch.com (Fair Oaks/Carmichael Patch) on July 6, 2015

Dustin Scott Cassady, Fair Oaks, CA (CPA 102587) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by email at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#C_2021

Sent to business@latimes.com (The Los Angeles Times) and Paige.Austin@patch.com (Santa Monica Patch) on July 6, 2015

Sally Mi-Fong Chan, Santa Monica, CA (CPA 75455) and Seymour H. Sachs An Accountancy Corporation, Santa Monica, CA (COR 434) have been disciplined by the California Board of Accountancy. Please utilize the attached links to the California Board of Accountancy's Web page to access details of these enforcement actions. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by email at pbowers@cba.ca.gov should you have any questions regarding these enforcement actions.

http://www.dca.ca.gov/cba/discipline/index.shtml#C_1953

http://www.dca.ca.gov/cba/discipline/index.shtml#S_1954

Sent to metro@sacbee.com (The Sacramento Bee) and Lydiam@goldcountrymedia.com (El Dorado Hills Telegraph) on July 6, 2015

Keith Roger Cummings, El Dorado Hills, CA (CPA 71824) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by email at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#C_1988

Sent to business@mercurynews.com (The San Jose Mercury News) and Susan.Schena@patch.com (Campbell/San Jose Patch) on July 6, 2015

Mark Steven Gutentag, Santa Clara, CA (CPA 27622) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by email at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#G_1976

Sent to ccnewsrelease@bayareanewsgroup.com (The Contra Costa Times) and Bea.Karnes@patch.com (San Ramon Patch) on July 6, 2015

Edward John Hradowy, San Ramon, CA (CPA 15661) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by email at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#H_2033

Sent to share@gilbertdailyprss.com (The Gilbert Daily Press) and newstips@evtrib.com (East Valley Tribune) on July 6, 2015

Ryan Daniel Jorgensen, Gilbert, AZ (CPA 109719) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by email at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#J_2019

Sent to becker@dailychronicle.com (The Bozeman Daily Chronicle) on July 6, 2015

Donald Gene Lucia, Bozeman, MT (CPA 36308) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by email at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#L_2011

Sent to jkotowski@bakersfield.com (The Bakersfield Californian) and editor@kvsun.com (Kern County Sun) on July 6, 2015

Arne R. Oftedal, Bakersfield, CA (CPA 45589) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by email at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#O_2023

Sent to Diana.mccabe@utsandiego.com (San Diego Union Tribune) and info@thestarnews.com (The Star News/Chula Vista) on July 14, 2015

Faye D. Ronquillo (aka Faye Dotimas), Chula Vista, CA (CPA 127163) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#R_2107

http://www.dca.ca.gov/cba/discipline/index.shtml#S_2026

Sent to editor@newsday.com (Newsday) and Holly.Adams@patch.com and Ryan@patch.com (Syosset/Mutton Town Patch) on July 6, 2015

Steven J. Sherb, Mutton Town, NY (CPA 71385) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by email at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#S_2026
