



**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  
PUBLIC MEETING NOTICE FOR THE COMMITTEE ON PROFESSIONAL CONDUCT,  
MOBILITY STAKEHOLDER GROUP, STRATEGIC PLANNING, AND CALIFORNIA BOARD  
OF ACCOUNTANCY MEETINGS**

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- DATE:** Thursday, September 17, 2015      **COMMITTEE ON PROFESSIONAL CONDUCT MEETING**  
**TIME:** 9:00 a.m.
- DATE:** Thursday, September 17, 2015      **MOBILITY STAKEHOLDER GROUP MEETING**  
**TIME:** 9:30 a.m. or upon adjournment of the  
Committee on Professional Conduct Meeting
- DATE:** Thursday, September 17, 2015      **STRATEGIC PLANNING COMMITTEE MEETING**  
**TIME:** 10:00 a.m. or upon adjournment of the  
Mobility Stakeholder Group Meeting
- DATE:** Thursday, September 17, 2015      **CALIFORNIA BOARD OF ACCOUNTANCY MEETING**  
**TIME:** 10:15 a.m. to 5:00 p.m.
- DATE:** Friday, September 18, 2015      **CALIFORNIA BOARD OF ACCOUNTANCY MEETING**  
**TIME:** 9:00 a.m. to 2:00 p.m.
- PLACE:** Wyndham Irvine-Orange County Airport  
17941 Von Karman Avenue  
Irvine, CA 92614  
Telephone: (949) 863-1999

Enclosed for your information is a copy of the agendas for the Committee on Professional Conduct, Mobility Stakeholder Group, Strategic Planning Committee, and California Board of Accountancy meetings on September 17-18, 2015. For further information regarding these meetings, please contact:

Corey Riordan, Board Relations Analyst  
(916) 561-1716 or [cfriordan@cba.ca.gov](mailto: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) 561-1716, or email [cfriordan@cba.ca.gov](mailto:cfriordan@cba.ca.gov), or send a written request to the California Board of Accountancy 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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**CALIFORNIA BOARD OF ACCOUNTANCY  
 COMMITTEE ON PROFESSIONAL CONDUCT**

**MEETING AGENDA**  
**Thursday, September 17, 2015**  
**9:00 a.m.**

**Wyndham Irvine-Orange County Airport**  
**17941 Von Karman Avenue**  
**Irvine, CA 92614**  
**Telephone: (949) 863-1999**

**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 Committee on Professional Conduct Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the California Board of Accountancy's website at <http://www.cba.ca.gov>.

	<b><u>CBA Item #</u></b>
Call to Order, Roll Call, and Establishment of Quorum ( <b>Leslie LaManna, Chair</b> ).	
I. Approve Minutes of the May 28, 2015 Committee Professional Conduct Meeting.	IX.F.
II. Discussion and Possible Action to Seek Legislation to Amend Business and Professions Code Section 5094.3 Relating to the Ethics Study Educational Requirement ( <b>Gina Sanchez, Licensing Chief</b> ).	VIII.B.2.
III. Discussion Regarding Proposed Changes to California Code of Regulations Section 9.1 – Approved Credentials Evaluation Services Status ( <b>Pat Billingsley, Regulation Analyst</b> ).	VIII.B.3.
IV. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 87 – Continuing Education Requirements ( <b>Dominic Franzella, Enforcement Chief</b> ).	VIII.B.4.

- V. Discussion to Explore Methods to Identify Sole Proprietorships for California Board of Accountancy Peer Review Reports and Other Reporting Purposes (**Gina Sanchez**). VIII.B.5.
- VI. Update on the Study of California's Attest Experience Requirement (**Gina Sanchez**). VIII.B.6.
- VII. Public Comments.\*
- VIII. 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 Committee on Professional Conduct 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 Committee on Professional Conduct prior to the Committee on Professional Conduct taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Committee on Professional Conduct. Individuals may appear before the Committee on Professional Conduct to discuss items not on the agenda; however, the Committee on Professional Conduct can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a))

California Board of Accountancy members who are not members of the Committee on Professional Conduct may be attending the meeting. However, if a majority of members of the full board are present at the Committee on Professional Conduct meeting, members who are not Committee on Professional Conduct members may attend the meeting only as observers.



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**CALIFORNIA BOARD OF ACCOUNTANCY  
 MOBILITY STAKEHOLDER GROUP**

**MEETING AGENDA**

**Thursday, September 17, 2015  
 9:30 a.m.**

**Or Upon Adjournment of the Committee on Professional Conduct Meeting**

**Wyndham Irvine-Orange County Airport  
 17941 Von Karman Avenue  
 Irvine, CA 92614  
 Telephone: (949) 863-1999**

**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 Mobility Stakeholder Group Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the California Board of Accountancy's website at <http://www.cba.ca.gov>.

	<b><u>CBA Item #</u></b>
Call to Order, Roll Call, and Establishment of Quorum <b>(Katrina Salazar, Chair).</b>	
I. Approval of Minutes of the July 23, 2015 Mobility Stakeholder Group Meeting.	IX.C.
II. The Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives <b>(Written Report Only)</b> .	VIII.C.2.
III. Timeline for Activities Regarding Determination to be Made Pursuant to Business and Professions Code Section 5096.21. <b>(Written Report Only)</b> .	VIII.C.3.
IV. Discussion Regarding the Minimum Amount of Information to be Posted on the Internet in Order to be Deemed Substantially Equivalent <b>(Matthew Stanley, Information and Planning Officer)</b> .	VIII.C.4.
V. Discussion Regarding Options Including a Possible Legislative Proposal for Expediting a Rulemaking Pursuant to Business and Professions Code Section 5096.21(a) <b>(Matthew Stanley, Information and Planning Officer)</b> .	VIII.C.5.

- VI. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify (**Matthew Stanley, Information and Planning Officer**). VIII.C.6.
- VII. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting (**Matthew Stanley, Information and Planning Officer**). VIII.C.7.
- VIII. 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 Mobility Stakeholder Group 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 Mobility Stakeholder Group prior to the Mobility Stakeholder Group taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Mobility Stakeholder Group. Individuals may appear before the Mobility Stakeholder Group to discuss items not on the agenda; however, the Mobility Stakeholder Group can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a))

California Board of Accountancy members who are not members of the Mobility Stakeholder Group may be attending the meeting. However, if a majority of members of the full California Board of Accountancy are present at the Mobility Stakeholder Group meeting, members who are not Mobility Stakeholder Group members may attend the meeting only as observers.



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**CALIFORNIA BOARD OF ACCOUNTANCY  
 STRATEGIC PLANNING COMMITTEE**

**MEETING AGENDA**

**Thursday, September 17, 2015**

**10:00 a.m.**

**Or Upon Adjournment of the Mobility Stakeholder Group Meeting**

**Wyndham Irvine-Orange County Airport  
 17941 Von Karman Avenue  
 Irvine, CA 92614  
 Telephone: (949) 863-1999**

**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 Strategic Planning Committee Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the California Board of Accountancy's website at <http://www.cba.ca.gov>.

	<b><u>CBA Item #</u></b>
Call to Order, Roll Call, and Establishment of Quorum ( <b>Alicia Berhow, Chair</b> ).	
I. Approve Minutes of the January 22, 2015 Joint Strategic Planning Committee and the Peer Review Oversight Committee Meeting.	IX.D.
II. Approve Minutes of the March 19, 2015 Strategic Planning Committee Meeting.	IX.E.
III. Discussion and Possible Approval of the Draft 2016-2018 California Board of Accountancy Strategic Plan ( <b>Deanne Pearce, Assistant Executive Officer</b> ).	VIII.A.2.
IV. Public Comments.*	
V. 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 Strategic Planning Committee 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 Strategic Planning Committee prior to the Strategic Planning Committee taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Strategic Planning Committee. Individuals may appear before the Strategic Planning Committee to discuss items not on the agenda; however, the Strategic Planning Committee can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a).)

California Board of Accountancy members who are not members of the Strategic Planning Committee may be attending the meeting. However, if a majority of members of the full board are present at the Strategic Planning Committee meeting, members who are not Strategic Planning Committee members may attend the meeting only as observers.



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**DEPARTMENT OF CONSUMER AFFAIRS**  
**CALIFORNIA BOARD OF ACCOUNTANCY**

**MEETING AGENDA**

**September 17, 2015**  
**10:15 a.m. – 5:00 p.m.**

**September 18, 2015**  
**9:00 a.m. – 2:00 p.m.**

**Wyndham Irvine-Orange County Airport**  
**17941 Von Karman Avenue**  
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**Thursday,**  
**September 17, 2015**  
**10:15 a.m. –**  
**11:15 a.m.**

- Call to Order, Roll Call, and Establishment of Quorum  
**(Jose Campos, President).**
- I. Report of the President (**Jose Campos**).
    - A. Announcement Regarding Annual Officer Elections.
    - B. Announcement of California Board of Accountancy Leadership Award of Excellence.
    - C. Presentations and Speaking Events for CBA Members.
    - D. Resolution for Retiring Qualifications Committee Member Erin Sacco Pineda.
    - E. Announcement of the Annual Executive Officer Evaluation.

- F. Review and Possible Approval of the California Board of Accountancy’s Comment Letter Regarding Statement on Standards for Continuing Professional Education Programs Exposure Draft (**Gina Sanchez, Licensing Chief**).
- G. Educational Presentation and Discussion Regarding the California Board of Accountancy’s Role in Petition Hearings (**Kristy Schieldge, Attorney III, DCA Legal Counsel, and Carl Sonne, Deputy Attorney General, Office of the California Attorney General**).
- H. Discussion and Next Steps Regarding Audit Quality for Audits Performed for Employee Benefit Plans Covered Under the Employee Retirement Income Security Act of 1974.

11:15 a.m. –  
11:20 a.m.

- I. DCA Director’s Report (**DCA Representative**).
- II. Report of the Vice-President (**Katrina Salazar**).
  - A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.
  - B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.
  - C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

11:20 a.m. –  
11:30 a.m.

- III. Report of the Secretary/Treasurer (**Alicia Berhow**).
  - A. Fiscal Year 2014-15 Year End Financial Statement and Governor’s Budget.

11:30 a.m. –  
11:50 a.m.

- IV. Report of the Executive Officer (**Patti Bowers**).
  - A. Update on the Relocation of the California Board Accountancy’s Office.
  - B. Update on Staffing.
  - C. Presentation of the California Board of Accountancy Annual Report for Fiscal Year 2014-2015 (**Deanne Pearce, Assistant Executive Officer**).

D. Discussion and Possible Action Regarding Legislation on Which the California Board of Accountancy Has Taken a Position (AB 85, SB 8, SB 467, SB 799, AB 507, AB 750, AB 1351, and AB 1352) (**Matthew Stanley, Information and Planning Officer**).

E. Additional Legislation Impacting the California Board of Accountancy Identified by Staff After the Posting of the Meeting Notice.

F. Update on the California Board of Accountancy 2013-2015 Communications and Outreach Plan (**Written Report Only**).

11:50 a.m. –  
12:00 p.m.

V. Report on the Enforcement Advisory Committee, Qualifications Committee and Peer Review Oversight Committee.

A. Enforcement Advisory Committee (**Jeffrey De Lyser, Chair**).

No Report.

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

1. Report of the July 29, 2015 Qualifications Committee Meeting.

2. Approval of the 2016 Qualifications Committee Meeting Dates.

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

1. Report of the August 21, 2015 Peer Review Oversight Committee Meeting.

2. Approval of the 2016 Peer Review Oversight Committee Meeting Dates.

12:00 p.m. –

1:30 p.m.

Lunch

1:30 p.m. –  
1:45 p.m.

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

A. Enforcement Activity Report.

1:45 p.m. –  
1:55 p.m.

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

A. Licensing Activity Report.

1:55 p.m. –  
3:00 p.m.

VIII. Committee Reports.

A. Strategic Planning Committee (**Alicia Berhow**).

1. Report of the September 17, 2015 Strategic Planning Committee Meeting.
2. Discussion and Possible Approval of the Draft 2016-2018 California Board of Accountancy Strategic Plan.

B. Committee on Professional Conduct (**Leslie LaManna**).

1. Report of the September 17, 2015 Committee on Professional Conduct Meeting.
2. Discussion and Possible Action to Seek Legislation to Amend Business and Professions Code Section 5094.3 Relating to the Ethics Study Educational Requirement.
3. Discussion Regarding Proposed Changes to California Code of Regulations Section 9.1 – Approved Credentials Evaluation Service Status.
4. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 87 – Continuing Education Requirements.
5. Discussion to Explore Methods to Identify Sole Proprietorships for California Board of Accountancy Peer Review Reports and Other Reporting Purposes.
6. Update on the Study of California's Attest Experience Requirement.

C. Mobility Stakeholder Group (**Katrina Salazar**).

1. Report of the September 17, 2015 Mobility Stakeholder Group Meeting.
2. The Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives (**Written Report Only**).
3. Timeline for Activities Regarding Determination to be Made Pursuant to Business and Profession Code Section 5096.21 (**Written Report Only**).

4. Discussion Regarding the Minimum Amount of Information to be Posted on the Internet in Order to be Deemed Substantially Equivalent.
5. Discussion Regarding Options Including a Possible Legislative Proposal for Expediting a Rulemaking Pursuant to Business and Professions Code Section 5096.21(a).
6. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify.
7. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

**3:00 p.m. –  
3:05 p.m.**

- IX. Acceptance of Minutes.
  - A. Draft Minutes of the July 22-23, 2015 California Board of Accountancy Meeting.
  - B. Draft Minutes of the July 22, 2015 California Board of Accountancy Strategic Planning Workshop.
  - C. Minutes of July 23, 2015 Mobility Stakeholder Group Meeting.
  - D. Minutes of the January 22, 2015 Joint Strategic Planning Committee and the Peer Review Oversight Committee Meeting.
  - E. Minutes of the March 19, 2015 Strategic Planning Committee Meeting.
  - F. Minutes of the May 28, 2015 Committee on Professional Conduct Meeting.
  - G. Minutes of the May 1, 2015 Peer Review Oversight Committee Meeting.
  - H. Minutes of the April 22, 2015 Qualifications Committee Meeting.

**3:05 p.m. –  
3:10 p.m.**

- X. Other Business.
  - A. American Institute of Certified Public Accountants.
    1. Report on Public Meetings of the American Institute of Certified Public Accountants Attended by a CBA Representative.

- B. National Association of State Boards of Accountancy.
  - 1. Report on Strategic Planning Task Force (**Michael Savoy**).
  - 2. Report on Public Meetings of the National Association of State Boards of Accountancy Attended by a CBA Representative.
  - 3. Proposed Responses to the National Association of State Boards of Accountancy's Focus Questions (**Corey Riordan, Board Relations Analyst**).

**3:10 p.m. –  
3:15 p.m.**

- XI. Closing Business.
  - A. Public Comments.\*
  - B. Agenda Items for Future California Board of Accountancy Meetings.
  - C. Press Release Focus (**Matthew Stanley**).

**3:15 p.m. –  
5:00 p.m.**

- XII. Closed Session.\*\*
  - A. Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Proposed Decisions).
  - B. Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Meet In 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.).

**TIME CERTAIN  
Friday,  
September 18,  
2015  
9:00 a.m.**

- XIII. Petition Hearings.
  - A. Lowell A. Baisden – Petition for Reinstatement of Revoked Certificate.
  - B. Kwang-Ho Lee – Petition for Reinstatement of Revoked Certificate.
  - C. Roland Zita – Petition for Reinstatement of Revoked Certificate.

- D. Edward A. Robinson – Petition for Reduction of Penalty.
- E. Silver D. Sack – Petition for Reduction of Penalty.
- F. Closed Session. Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene into Closed Session to Deliberate on Disciplinary Matters (Petitions for Reinstatement of Revoked Certificate and Reduction of Penalty).

### 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 California Board of Accountancy President and may be taken out of order.

In accordance with the Bagley-Keene Open Meeting Act, all meetings of the California Board of Accountancy are open to the public. While the California Board of Accountancy 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 California Board of Accountancy prior to the California Board of Accountancy taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the California Board of Accountancy, but the California Board of Accountancy President may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the California Board of Accountancy to discuss items not on the agenda; however, the California Board of Accountancy 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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**CBA Item I.A.**  
September 17-18, 2015

## **Announcement Regarding Annual Officer Elections**

**Presented by:** Jose A. Campos, CPA, President

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### **Purpose of the Item**

The purpose of this agenda item is to inform California Board of Accountancy (CBA) members regarding the election process for President, Vice-President, and Secretary/Treasurer.

### **Action(s) Needed**

Action is only needed by those members who wish to be considered for a Leadership position.

### **Background**

The process for the election of officers and a detailed listing of applicable duties is outlined in the CBA Guidelines and Procedures Manual, pages 4-7 (**Attachment**).

### **Comments**

Each November, the CBA elects a President, Vice-President, and Secretary/Treasurer. Any CBA member who wishes to be considered for a leadership position is encouraged to submit a one page Statement of Qualifications to the Executive Secretary, Alegra Keith, by e-mail at [alegra.keith@cba.ca.gov](mailto:alegra.keith@cba.ca.gov). If interested, please submit your Statement of Qualifications to the CBA office by October 9, 2015. The Statements of Qualifications will be included in the November 2015 CBA meeting materials, as part of an agenda item.

At the November 2015 CBA meeting, an opportunity will be provided for additional candidates for the leadership positions to express their interest. All candidates may be given up to five minutes of floor time to describe why they are qualified for the position.

Please note that the President, Vice-President and Secretary/Treasurer each serve one-year terms, and may not serve more than two consecutive terms.

CBA leadership have historically assisted the CBA in guiding various pieces of legislation by attending meetings with legislators and legislative staff to relay the CBA's position on bills that the CBA is either sponsoring or following, bills that relate to the

## **Announcement Regarding Annual Officer Elections**

Page 2 of 2

protection of consumers of accounting services, and in some instances bills that impact the accounting profession.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff does not have a recommendation on this agenda item.

### **Attachment**

Excerpt from CBA Guidelines and Procedures Manual

# California Board of Accountancy

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**CBA Member**

## **Guidelines and Procedures Manual**

CALIFORNIA BOARD OF  
ACCOUNTANCY

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Updated  
June 2015



If the mentor is a current CBA member, s/he may wish to sit adjacent to the new member during his/her first CBA meeting and assist in providing guidance on the meeting materials and answer any procedural questions that may arise.

4. Executive Officer Evaluation.

Each November, members will complete an evaluation of the Executive Officer (EO). The CBA President will use the surveys to complete a written summary of the evaluations and meet with the EO to discuss his/her performance. The original evaluation is signed by the CBA President and EO and sent to the DCA Human Resources Office for placement in the EO's Official Personnel File.

In accordance with Government Code section 11126, the CBA may hold a closed session to consider complaints or charges brought against the EO or to consider the dismissal of the EO, unless the EO requests a public hearing. The CBA may deliberate on any decision to be reached on any of the aforementioned issues in a closed session. Any action taken must be publicly reported at a subsequent meeting. The CBA President should contact DCA Legal Counsel regarding proper compliance with Open Meeting Act requirements prior to considering any action.

E. TENURE (Ref. Business & Professions Code § 5002).

Each member is appointed for a term of four years and holds office until they are reappointed, a successor is appointed, or until one year has elapsed since the expiration of the term for which he/she was appointed, whichever occurs first.

No person shall serve more than two terms consecutively.

Vacancies must be filled by a person in the same capacity (public or licensee member) as the person being replaced.

The Governor must remove any licensee member whose permit to practice becomes void, revoked, or suspended.

Any member may, after an administrative hearing, be removed for neglect of duty or other just cause.

If a member is appointed to fill a vacant seat in what would be the middle of the previous member's term, the rest of that term does not count against the two term limit, as it is still defined as the previous member's term.

F. OFFICERS (Ref. Business & Professions Code §§ 5003, 5004 & 5007).

The officers of the CBA are President, Vice-President, and Secretary/Treasurer.

1. Election of Officers.

The process for the election of officers is as follows:

- At the September CBA meeting, the President shall inform members that the election of officers will be held at the November CBA meeting.
- Interested candidates are requested to prepare a one page written summary outlining their qualifications for the position for which they are applying, which will serve as a self nomination. Candidates are limited to being nominated for one officer position. The summary is to be sent to the Executive Analyst by a date determined by the Executive Officer and CBA President.
- The nominations shall be distributed as part of the agenda items for the November CBA meeting.
- At the November CBA meeting, the President shall ask if there are any additional nominations for the officer positions. Any member who is nominated may be given up to five minutes of floor time to describe why they are qualified for the position.
- After all nominations have been confirmed, the President will close nominations.
- The vote for officer positions shall be held in the following order: Secretary/Treasurer, Vice-President, and President.
- A simple hand vote will be taken for each officer position nominee, starting in alphabetical order by the candidate's last name.
- Members can vote "Yes", "No", or abstain from the vote for each nominee.
- The first nominee to receive a majority vote will win the officer position.
- In the event none of the nominees receive a majority vote, the voting will continue until a majority vote is received. To assist in this process, the President may allow nominees to make a statement regarding their qualifications, within an established and reasonable time limit.
- The President, Vice-President, and Secretary/Treasurer serve one-year terms and may not serve more than two consecutive one-year terms. The newly elected President, Vice-President, and Secretary/Treasurer shall assume the duties of their respective offices at the conclusion of the annual meeting at which they were elected.

## 2. Vacancy.

In the event of a vacancy of the Vice President or Secretary/Treasurer prior to the annual election of officers, the CBA President shall make an interim appointment to fill the vacancy effective until the next election cycle. In the event of a vacancy of the President, the Vice President shall become the president.

## 3. Duties.

### a. President.

The President shall perform general administrative duties, as well as the following:

- Preside over CBA meetings
- Approve the agenda and time schedule
- Appoint CBA members as Liaison to the Enforcement Advisory Committee (EAC) and Qualifications Committee (QC)
- Appoint CBA members to CBA committees and task forces
- Establish other CBA committees as needed
- Make decisions regarding CBA matters between meetings
- Coordinate the annual evaluation of the Executive Officer
- When necessary, make interim appointments to the EAC, Peer Review Oversight Committee (PROC) and QC committees, subject to ratification at the next CBA Meeting
- Monitor CBA Member attendance at CBA Meetings, and report issues to the Department of Consumer Affairs (DCA)
- Make interim appointments to the Vice-President and Secretary/Treasurer positions should they become vacant mid-term
- Review and approve CBA member travel expenditures and per diem

b. Vice-President.

The Vice-President shall perform the following:

- Act in the absence of the President
- Review the EAC, PROC and QC committee members and recommend appointments and reappointments
- Perform any other duties as assigned by the CBA President
- Review and act upon time sensitive appeals to the CBA by Examination and Licensure candidates
- Serve as the CBA “Ambassador,” performing and coordinating outreach on behalf of the CBA members

c. Secretary/Treasurer.

The Secretary/Treasurer shall perform the following:

- Act as Liaison to the staff of the CBA for fiscal/budgetary functions and routinely report to the CBA regarding relevant matters. This includes reviewing the quarterly and year-end financial statements, in concert with the President. After review, the Secretary/Treasurer presents the financial statement to the CBA
- Interface with the DCA's internal auditors regarding internal audit matters affecting the CBA. These matters include such issues as internal audit findings, requests for special reviews, and other related concerns or topics
- Perform other duties as requested by the CBA President

G. MEETINGS (Ref. Business & Professions Code §§ 5016 & 5017).

All meetings of the CBA and its committees, subcommittees and task forces are subject to the Bagley-Keene Open Meeting Act. This Act is summarized in a document developed by the DCA, and includes statutory requirements for conducting Teleconference and/or Emergency Meetings. **(Appendix 2)**

1. Frequency.

The CBA meets regularly during the year. The dates are normally established annually at the March meeting for the following calendar year.

2. Locations.

The CBA chooses locations that are ADA compliant and easily accessible to the public, applicants, and licensees. Pursuant to Business and Professions Code section 101.7, the CBA must meet at least three times each calendar year, once in Northern California and once in Southern California to facilitate participation by the public and its licensees. The CBA also recognizes its responsibility regarding the public's concern for the judicious use of public funds when choosing meeting facilities and overnight accommodations.

3. Attendance.

Members are expected to attend all scheduled meetings of the CBA. Regular attendance ensures current knowledge of procedures and policies as well as an equitable sharing of duties and responsibilities.

Should a member miss two consecutive meetings, the CBA President may notify the Director of the DCA.

Arrival and departure times of each member are recorded in the CBA minutes.

4. Agenda.

The CBA President, with the assistance of the Executive Officer, shall prepare the agenda and tentative time schedule. Any request not approved by the Executive Officer and CBA President shall be included in a standing agenda item, "Agenda Items for Future CBA Meetings," for consideration and vote by the full CBA.

**DEPARTMENT OF CONSUMER AFFAIRS**

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**CBA Item I.C.**  
September 17-18, 2015

## **Presentations and Speaking Events for CBA Members**

**Presented by:** Jose A. Campos, CPA, President

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### **Purpose of the Item**

The purpose of this agenda item is to provide information to the California Board of Accountancy (CBA) regarding upcoming presentations and speaking events for CBA members.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

None.

### **Comments**

It is extremely beneficial to be invited to speak or provide a presentation at events where information can be shared about the CBA, its mission of consumer protection, and its role in regulating the public accounting profession. The following presentations and speaking engagements are scheduled for August – December 2015:

#### **California Society of CPAs (CalCPA) New Licensee Events**

CalCPA, which has been a great partner in collaborating on outreach events, has invited the CBA to participate in new licensee events scheduled throughout California. The events, which are free to newly licensed CPAs, provide an opportunity to celebrate their accomplishment and network with other CPAs in their area.

The CBA members who attend have an opportunity to introduce themselves, extend their congratulations to the new licensees, and welcome them to the CPA profession.

I recently had the opportunity to attend a New Licensee Event in Los Angeles on August 20, 2015 and CBA member Leslie LaManna participated in an event on August 26, 2015 in San Diego. CBA members Michael Savoy and Katrina Salazar have previously attended these events and represented the CBA. I am also scheduled to attend two additional New Licensee Events, one on October 29, 2015 in Temecula and one in the Bay area on November 12, 2015.

## **Presentations and Speaking Events for CBA Members**

Page 2 of 2

### National Association of State Boards of Accountancy (NASBA) 108<sup>th</sup> Annual Meeting

NASBA will be holding its 108<sup>th</sup> Annual Meeting (**Attachment**) on October 25-28, 2015 in Dana Point, California. I have been asked to provide welcoming comments, highlighting current activities being addressed by the CBA. This is a unique opportunity to share information regarding the CBA on a national level and it will be an honor to speak during the event.

### CalCPA Sacramento Chapter Meeting

Vice-President Katrina Salazar has accepted an invitation to give a presentation on November 18, 2015 at the Sacramento Chapter meeting of CalCPA. The presentation will be approximately one hour long and will provide a brief overview of the CBA, current activities of the CBA, information regarding the license renewal process, an overview and statistics for the CBA Enforcement Program, and what the CBA will be examining at in the future.

### Future Outreach Opportunities

If members are offered the opportunity to participate in an event, please notify staff who can assist you with talking points, a PowerPoint presentation, or handout materials.

### Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

### Recommendation

Staff does not have a recommendation on this agenda item.

### Attachment

NASBA 108<sup>th</sup> Annual Meeting Tentative Agenda



**108th Annual Meeting**  
**Laguna Cliffs Marriott Resort & Spa**  
**Dana Point, CA**  
**October 26-28, 2015**

***Meeting the Present and Embracing the Future***

**TENTATIVE AGENDA**

**Sunday, October 25, 2015**

4:00 – 5:00 p.m. Registration

6:00 – 8:00 p.m. Welcome Reception

**Monday, October 26**

7:15 – 8:15 a.m. Breakfast (*All Welcome*)

7:15 – 8:15 a.m. Board Communications Breakfast Meeting (*Communications Officers, Executive Directors, State Society Members and State Board Members*)

**OPENING PLENARY SESSION**

8:30 – 8:40 a.m. Welcome and Introductions

8:40 – 9:00 a.m. Welcome from California

9:00 – 10:00 a.m. Keynote Address: Engaging Workforce Diversity

10:00 – 10:15 a.m. Report from NASBA Chair 2014-2015

10:15 – 10:45 a.m. BREAK

10:45 – 11:00 a.m. Future Plans from AICPA Chair 2015-16

11:00 – Noon Getting Ready for the New Uniform CPA Examination (Exposure Draft Review)

**LUNCHEON**

Noon – 1:30 p.m. A National Political Overview from Televised Commentator Donna Brazile

**AFTERNOON PLENARY SESSION**

1:45 – 2:15 p.m. Update on Audit Quality

2:15 – 2:45 p.m. What Peer Review Information is Available Today: Limitations and Challenges

2:45 -3:45 p.m. Panel: Advancing Diversity  
 - Ph.D. Project  
 - FAF Diversity Initiative

- AICPA Diversity and Inclusion Resources

- 3:45 – 4:00 p.m. BREAK
- 4:00 – 5:00 p.m. Panel: Meeting Enforcement Standards
- 5:00 p.m. Recess

**Tuesday, October 27, 2015**

- 7:00 – 8:45 a.m. Regional Breakfast Meetings for Board Members and Staff  
*Regional Directors (2014-2015) Moderate*  
Central Region  
Great Lakes Region  
Middle Atlantic Region  
Mountain Region  
Northeast Region  
Pacific Region  
Southeast Region  
Southwest Region

- 7:00 – 8:45 a.m. Breakfast for Other Participants (*All Welcome*)

MORNING PLENARY SESSION

- 9:00 - 11:30 a.m. Annual Business Meeting  
Minutes of 107th Annual Business Meeting  
NASBA Awards  
Elections of NASBA Board members  
Administration & Finance Committee Report  
Audit Committee Report  
Bylaws Committee Report  
Center for the Public Trust Report  
Executive Directors  
President's Report
- 11:35 – 11:55 a.m. First Meeting of New NASBA Board of Directors (*Election of Secretary and Treasurer*)

LUNCHEON

- Noon – 1:00 p.m.
- 1:15 – 2:00 p.m. Inaugural Presentations  
Thanks  
Inaugural Address

AFTERNOON PLENARY SESSION

- 2:00 – 3:30 p.m. Panel: Recognizing Changes in Education
- 3:30 - 4:00 p.m. Major Current Legal Topics (Marijuana laws, NC Dental Board Case, etc.)

4:00 p.m. Recess

6:30 p.m. GALA

**Wednesday, October 28, 2015**

8:00 – 9:15 a.m. Presidents’/Chairs’ Breakfast Meeting

8:00 – 9:15 a.m. Executive Directors’ and State Board Staff’s Breakfast Meeting

8:00 – 9:15 a.m. Breakfast for State Society/Profession Attendees

8:00 – 9:15 a.m. Breakfast for Other Participants (*All Welcome*)

**MORNING PLENARY SESSION**

9:30 – 11:15 a.m. Alerts

- Bills on the Legislative Watch List
- Ethics Issues
- New CPE Standards
- Uniform Accountancy Act Developments

11:15– 11:30 a.m. Questions for NASBA Leaders

11:30 – 11:40 a.m. Closing Comments on 2015 Annual Meeting – Invitation to 2016 Annual

11:40– 12:00 p.m. Super Raffle

12:00 p.m. NASBA Annual Meeting adjourns

## Department of Consumer Affairs

# California Board of Accountancy



## RESOLUTION

***WHEREAS,** Erin Sacco Pineda has faithfully served as a member of the California Board of Accountancy Qualifications Committee from May 23, 2013 to August 18, 2015; and*

***WHEREAS,** throughout her term of service, at all times Erin Sacco Pineda gave fully of herself and her ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

***WHEREAS,** she has discharged these important responsibilities in a manner reflecting great credit upon herself and the accounting profession; and*

***WHEREAS,** her colleagues wish to express to her their high esteem and regard;*

***NOW, THEREFORE, BE IT RESOLVED,** that the members of the California Board of Accountancy express heartfelt appreciation to Erin Sacco Pineda for the outstanding contribution she made during her term of service on the Qualifications Committee and to the consumers of California.*

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*Jose A. Campos, CPA, President*

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*Alicia Berhow, Secretary-Treasurer*

*Dated: September 17, 2015*



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**CBA Item I.E.**  
September 17-18, 2015

## **Announcement of the Annual Executive Officer Evaluation**

**Presented by:** Jose A. Campos, CPA, President

---

### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding the annual Executive Officer Evaluation.

### **Action(s) Needed**

CBA members will be asked to complete the Performance Appraisal for Executive Officer (**Attachment**) and send to CBA President Jose Campos.

### **Background**

The CBA President and Vice-President issue an evaluation to the Executive Officer on an annual basis, typically occurring at the November CBA meeting. The evaluation is based on input from all CBA members. Once the evaluation is complete, a copy is placed in the official personnel file.

### **Comments**

Each September, CBA members are provided with an evaluation form to offer feedback regarding the Executive Officer's performance. To assist members in the evaluation, the CBA Annual Report for fiscal year 2014-15 may be referenced (**CBA Item IV.C**). The Annual Report provides detailed information regarding activities, projects, programs, and accomplishments for which the CBA Executive Officer has overseen.

Once members have completed the evaluation form, they can be scanned and emailed or directly mailed to President Campos. If members would prefer an electronic version, an email will be sent following the September CBA meeting.

During the November CBA meeting, a closed session discussion will be held to discuss the completed evaluation forms and to finalize the performance evaluation.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff does not have a recommendation on this agenda item.

### **Attachment**

Performance Appraisal for Executive Officer



# PERFORMANCE APPRAISAL

FOR

EXECUTIVE  
OFFICER

(including  
Executive Director  
and  
Registrar)

*Prepared by  
Department of Consumer Affairs  
Office of Human Resources  
1625 N. Market Blvd. Suite N-321  
Sacramento, CA 95834  
(Revised February 2015)*

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## Executive Officer PERFORMANCE APPRAISAL

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### **INSTRUCTIONS**

1. The DCA Performance Appraisal process system is based on the principle that performance should be evaluated on a regular basis in order to provide recognition of effective performance and as a tool to provide guidance in improving future performance.
2. If the Executive Officer (hereafter, "EO", which includes Executive Director and Registrar) is not at the maximum range of salary, the Board, Committee or Commission (hereafter, "Board") may recommend a salary increase for the EO. To qualify for such increases, the EO must meet or exceed performance expectations, as determined by the Board. This form is used to document the Board's recommendation for a salary increase.
3. To indicate the rating of any performance factor, an "X" mark should be placed in the appropriate rating column and in the "Overall Rating" column on each page. Additional spaces have been provided to accommodate other critical performance factors identified by the Board.
4. Comments to the Executive Officer should:
  - Be constructive and provide guidance for future performance;
  - Include factual examples of work especially well or poorly done, and
  - Give specific suggestions for performance improvement.
5. The Overall Ratings must be consistent with the factor ratings and comments, but there is no prescribed formula for computing the Overall Rating.
6. Overall Comments may consist of a summary of comments from specific categories, general comments or comments on other job-related factors which the rater wishes to discuss. Additional pages may be attached.
7. The Board President/Chairperson will discuss the appraisal with the EO and give him or her a signed copy. In signing the appraisal, the EO merely acknowledges that s/he has reviewed the appraisal and has discussed it with the rater. His/her signature does not indicate agreement with the ratings or comments.
8. The original copy of the appraisal, signed by both the Board President/Chairperson and the EO, will be maintained by the Department of Consumer Affairs, in the Executive Officer's Official Personnel File.



## EXECUTIVE OFFICER PERFORMANCE APPRAISAL RATING SYSTEM

The rating system consists of five (5) Ratings Categories, as defined below:

### ***Outstanding***

Performance significantly exceeds the Board's expectations due to the efforts and ability of the Executive Officer when considering the job in its entirety. Significantly above-standard performance may be exhibited by consistently completing assignments in advance of deadlines; implementing plans and/or procedures to increase efficiency or effectiveness of work; working independently with little direction; and consistently meeting Board goals.

### ***Above Average***

Performance exceeds the Board's expectations due to the efforts and ability of the Executive Officer when considering the job in its entirety. Performance is beyond what is expected of an Executive Officer in this position.

### ***Average***

Performance of the Executive Officer meets the minimum expectations of the Board. The Executive Officer adequately performs the duties and responsibilities of the position.

### ***Needs Improvement***

The Executive Officer's performance fails to meet the Board's minimum expectations due to lack of effort and/or ability when considering the job in its entirety. Performance requires improvement in numerous and/or important aspects of the position.

### ***Not Applicable***

Rater is unable to assess the Executive Officer in this area, or the area is not applicable to the employee's job.



**Executive Officer**  
**PERFORMANCE APPRAISAL**  
**OVERALL RATING**

**NAME OF EO:**

**NAME OF BOARD:**

**DATE OF BOARD MEETING WHEN RATING OCCURRED:**

The overall rating must be consistent with the factor rating and comments, but there is no prescribed formula for computing the overall rating. The rating system is described on page 2.

- OUTSTANDING**
- ABOVE AVERAGE**
- AVERAGE**
- NEEDS IMPROVEMENT**

**OVERALL COMMENTS** *(Attach additional pages, if necessary)*

**I HAVE PARTICIPATED IN A DISCUSSION OF OVERALL JOB PERFORMANCE**

EO Signature: \_\_\_\_\_

Date:

Chairperson/President Signature: \_\_\_\_\_

Date:

Salary Increase recommendation (if applicable):

- No increase    No increase (at maximum)    Recommended Increase: \_\_\_\_\_%
- Effective Date of Salary Increase: \_\_\_\_\_



**Executive Officer**  
**PERFORMANCE APPRAISAL**

Performance Factor		Ratings				
1. Relationship with the Board		Outstanding	Above Average	Average	Needs Improvement	Not Applicable
1	Maintains respect and trust of Board members.					
2	Provides Board with advice during consideration of issues.					
3	Keeps Board informed of progress of Board programs on a regular basis.					
4	Remains impartial and treats all Board members in a professional manner.					
5	Functions as an effective liaison between Board and Board Staff.					
6	Provides Board with complete, clear, and accurate reports, minutes, etc.					
7	Responds promptly to requests for information from Board members.					
8	Is readily available to Board members.					
9	Responds appropriately to constructive suggestions from Board members.					
<b>OVERALL RATING:</b> Relationship with the Board						

**Comments:** (Attach additional pages, if necessary)



**Executive Officer**  
**PERFORMANCE APPRAISAL**

<b>Performance Factor</b>		<b>Ratings</b>				
<b>2. Execution of Board Policy</b>		Outstanding	Above Average	Average	Needs Improvement	Not Applicable
<b>1</b>	Understands and compiles with the overall policies, laws and regulations of the Board.					
<b>2</b>	Implements Board policies.					
<b>3</b>	Efforts lead toward successful accomplishment of goals.					
<b>OVERALL RATING:</b> Execution of Board Policy						

**Comments:** (Attach additional pages, if necessary)



**Executive Officer**  
**PERFORMANCE APPRAISAL**

Performance Factor		Ratings				
3. Board Programs		Outstanding	Above Average	Average	Needs Improvement	Not Applicable
1	Ensures effective and efficient management of enforcement programs.					
2	Keeps Board apprised of enforcement program and process developments.					
3	Maintains security of examination process.					
4	Monitors validity/defensibility of examinations and provides appropriate recommendations for action.					
5	Monitors and identifies trends in candidate qualifications, pass/fail rates, etc.					
6	Resolves problems which arise in the exam process.					
7	Keeps Board apprised of exam program and process developments.					
8	Keeps Board apprised of licensing program and process developments.					
<b>OVERALL RATING: Board Programs</b>						

**Comments:** (Attach additional pages, if necessary)



**Executive Officer**  
**PERFORMANCE APPRAISAL**

<b>Performance Factor</b>		<b>Ratings</b>				
<b>4. Governmental Relations</b>		Outstanding	Above Average	Average	Needs Improvement	Not Applicable
1	Keeps the Department of Consumer Affairs informed of Board issues, problems, and accomplishments.					
2	Maintains a positive working relationship with other State Agencies.					
3	Manages Board legislative program and efforts.					
4	Manages sunset review process.					
5	Acts a liaison and participates in national organizations, federations or alliances.					
6	Represents the Board effectively before the Legislature.					
<b>OVERALL RATING:</b>						
<b>Governmental Relations</b>						

**Comments:** (Attach additional pages, if necessary)



**Executive Officer  
PERFORMANCE APPRAISAL**

<b>Performance Factor</b>		<b>Ratings</b>				
<b>5. Administrative Functions</b>		Outstanding	Above Average	Average	Needs Improvement	Not Applicable
1	Plans, organizes and directs Board administrative functions and staff.					
2	Provides oversight, direction and management of the Board's annual budget, expenditures and revenues.					
3	Keeps Board apprised of budget developments.					
4	Identifies, recommends and, as directed, seeks necessary changes to laws and regulations through proposed legislation and/or the Office of Administrative Law (OAL).					
5	Ensures compliance and enforcement of departmental, state and federal policies and procedures.					
6	Develops and executes sound personnel practices and procedures.					
<b>OVERALL RATING: Administrative Functions</b>						

**Comments:** (Attach additional pages, if necessary)



**Executive Officer**  
**PERFORMANCE APPRAISAL**

<b>Performance Factor</b>		<b>Ratings</b>				
<b>6. Public Liaison</b>		Outstanding	Above Average	Average	Needs Improvement	Not Applicable
<b>1</b>	Represents the Board before the public.					
<b>2</b>	Directs consumer outreach programs.					
<b>3</b>	Manages Board's public relations effort.					
<b>4</b>	Directs liaison with educational institutions.					
<b>5</b>	Solicits and gives attention to problems and opinions of all groups and individuals.					
<b>6</b>	Represents the Board before industry associations to provide information regarding the Board's laws, regulations, programs and policies.					
<b>OVERALL RATING: Public Liaison</b>						

**Comments:** (Attach additional pages, if necessary)



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**CBA Item I.F.**  
September 17-18, 2015

**Review and Possible Approval of the California Board of Accountancy's  
Comment Letter Regarding Statement on Standards for Continuing Professional  
Education Programs Exposure Draft**

**Presented by:** Gina Sanchez, Licensing Chief

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**Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the opportunity to discuss the comment letter drafted in response to the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA) *Statement on Standards for Continuing Professional Education Programs Exposure Draft (Standards) (Attachment 1)*.

**Action(s) Needed**

The CBA will be asked to review and approve the attached comment letter (**Attachment 2**) for submission by the end of the comment period, which is October 1, 2015.

**Background**

NASBA, jointly with the AICPA, issued proposed changes to the *Standards*, which provide a framework for the development, presentation, measurement and reporting of continuing education (CE)<sup>1</sup> programs. Amongst the most significant of the proposed changes is the addition of nano-learning and blended learning, two new delivery methods for CE programs. On May 19, 2015, NASBA and the AICPA released the proposed changes for a public comment period ending on October 1, 2015. At its July 2015 meeting, the CBA heard comments regarding the proposed changes to the *Standards*.

**Comments**

While the CBA was in support of the exploration of all forms of learning and new methodologies to benefit its licensees, it requested additional information regarding the nano-learning and blended-learning methods. Subsequent to the July 2015 meeting, the CBA was provided with supplemental information on these methods. Further, staff confirmed the *Standards* require certificates of completion in accordance with CBA Regulations for all delivery methods.

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

## **Review and Possible Approval of the California Board of Accountancy's Comment Letter Regarding Statement on Standards for Continuing Professional Education Programs Exposure Draft**

Page 2 of 2

The CBA directed staff to prepare a comment letter indicating the support of the CBA for its review and approval at the September 2015 meeting. Should the CBA wish to make revisions to the attached comment letter for submission by the end of the comment period, the CBA may wish to delegate authority to the CBA President to approve the final letter.

Upon release of the final version of the *Standards*, the CBA will be afforded the opportunity to review and consider which changes may be appropriate to incorporate into the CBA Regulations.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff recommends approval of the attached comment letter, which provides a time frame for implementing any necessary regulatory changes and indicates CBA support of exploring new methodologies to enhance and expand the knowledge and competency of its licensees. If the CBA decides any changes are necessary to the comment letter, staff recommends authority be delegated to the CBA President to approve the final letter for submission by the end of the comment period.

### **Attachment**

1. Exposure Draft: Statement of Standards for CPE Programs (red-lined version)
2. CBA Comment Letter to NASBA

# 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.<sup>1</sup>

**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.

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<sup>1</sup> 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.<sup>2</sup>

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

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<sup>2</sup> 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 timeLive** 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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DATE

Attachment 2

Jessica Luttrull  
Associate Director – National Registry  
National Association of State Boards of Accountancy  
150 Fourth Avenue North, Suite 700  
Nashville, TN 37219

RE: Statement on Standards for Continuing Professional Education Programs  
Exposure Draft, April 1, 2015

Dear Ms. Luttrull:

On behalf of the California Board of Accountancy (CBA), I am pleased to submit our comments on the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants regarding the *Statement on Standards for Continuing Professional Education (CPE) Programs Exposure Draft (Standards)*.

The CBA supports full exploration of all new methodologies designed to enhance the knowledge and competency of its licensees. With new and ever-changing technology, licensees are afforded various opportunities to expand their knowledge base, which is consistent with the CBA's mission to protect consumers by ensuring only qualified licensees practice public accountancy.

The proposed changes in the *Standards* may necessitate changes to the CBA Regulations in the areas of continuing education requirements. Upon release of the final *Standards*, the CBA will review and consider what changes may be appropriate for incorporation into the CBA Regulations. If any regulatory changes are required, the time frame for implementation is approximately 12 to 18 months.

The CBA is grateful for the opportunity to comment on this exposure draft and your continued hard work in identifying new opportunities for its licensees.

Sincerely,

Jose A. Campos, CPA  
President

c: Members, California Board of Accountancy  
Patti Bowers, Executive Officer



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**CBA Item I.G.**  
September 17-18, 2015

## **Educational Presentation and Discussion Regarding the California Board of Accountancy's Role in Petition Hearings**

**Presented by:** Kristy Schieldge, Attorney III, DCA Legal Counsel, and Carl Sonne, Deputy Attorney General

---

### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an overview of its role in petition hearings.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

Business and Professions Code (BPC) section 5115 (**Attachment**) allows a licensee to seek reinstatement of his/her license (as a result of revocation or surrender) or a reduction of penalty (licensees on probation). Upon receipt of the filing of a petition, the CBA provides notice to the Office of the Attorney General (AG's Office). At the hearing, the CBA provides both the AG's Office and petitioner an opportunity to present either oral or written arguments before the CBA. The CBA rules on the petition and renders a decision. The decision must include the reasons denying or granting the petition and include any terms and conditions of reinstatement or reduction of penalty the CBA reasonably deems appropriate, including, but not limited to, restrictions on the petitioner's scope of professional practice.

### **The Petition Process**

The petition process begins when a petitioner files a petition for reinstatement or reduction of penalty. The petition generally includes prior disciplinary documents and may include character references, etc. (e.g. accusation and prior decision by the CBA).

CBA staff provides notice to the AG's office and to the Office of Administrative Hearings so that an Administrative Law Judge (ALJ) can be assigned. The petition hearing is placed on the CBA's meeting agenda, and the hearing takes place during the open session portion of the CBA meeting.

## Educational Presentation and Discussion Regarding the California Board of Accountancy's Role in Petition Hearings

Page 2 of 4

At the petition hearing, the Deputy Attorney General (DAG) generally proceeds first. The DAG represents the People of the State of California and gives a brief opening statement of the history of the original licensure, prior discipline, and current petition. The DAG usually presents the jurisdictional documents, including petition, prior accusation, prior decision and order. The petitioner may then testify under oath, call witnesses, and introduce relevant evidence. The DAG may cross-examine the petitioner, who should be personally present. The petitioner can present additional evidence and call witnesses, subject to the DAG's right to cross-examine. The CBA is also offered the opportunity to question the petitioner. The ALJ presides at reinstatement hearings to rule on legal and evidentiary matters and to prepare the written decision for the CBA's approval.

### *Burden of Proof*

The petitioner bears the burden of proof at the reinstatement hearing, and s/he must prove that s/he is rehabilitated and safe to practice public accountancy. The petitioner has the burden to prove grounds for reinstatement or reduction of penalty by clear and convincing evidence to a reasonable certainty.<sup>1</sup>

The CBA must assess whether the petitioner is safe to practice. CBA Regulations section 99.1 outline the rehabilitation criteria that the CBA should consider. The criteria include:

- Nature and severity of the offense (though the purpose of reinstatement is not to retry the matter)
- Criminal record and subsequent acts and offenses which could be grounds for denial, suspension, or revocation of license
- The time that elapsed since the wrongful conduct occurred
- Compliance by the Petitioner with requirements of parole, probation, restitution, or other lawful sanctions
- Any criminal expungement proceedings under Penal Code section 1203.4
- Evidence, if any, of rehabilitation submitted by the licensee

The evidence offered by the petitioner to demonstrate whether s/he is safe to practice should include evidence of rehabilitation. For example, what has the petitioner done with him/herself since discipline was imposed? Examples of these actions include:

- Educational classes taken by Petitioner
- Restitution
- Community service

---

<sup>1</sup> *Hippard v. State Bar* (1989) 49 Cal.3d 1084. "He must show by the most clear and convincing evidence that efforts made towards rehabilitation have been successful... The evidence presented is to be considered in light of the moral shortcomings that previously resulted in discipline."

## Educational Presentation and Discussion Regarding the California Board of Accountancy's Role in Petition Hearings

Page 3 of 4

- Efforts to remediate harm, even if not mandated
- Character references (e.g. past performance evaluations and letters from employers)
- Psychotherapeutic treatments

### *Role of the CBA*

When hearing petitions, the role of the CBA is to act as judges who oversee this quasi-judicial process. CBA members should ensure both their comments and demeanor are "neutral." The CBA has a responsibility to protect consumers. BPC section 5000.1 states "Protection of the public shall be the highest for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions."

When deciding these petitions, the CBA should consider the following:

- Rehabilitation criteria
  - BPC section 482 states that a board must develop criteria to evaluate the rehabilitation of a person when considering denial, suspension, or revocation of a license. The process is similar for considering the reinstatement of a license. CBA Regulations section 99.1 states that the CBA should review the criteria when reviewing these actions.
  - The CBA must take into account all competent evidence of rehabilitation furnished by the petitioner. The thrust of BPC section 482 is that the CBA must focus on rehabilitation and ability to practice safely. The focus should be on evidence presented, including witness demeanor and documentation.
  - The petitioner has the burden of proof to show s/he is rehabilitated, competent, and safe to resume practice.
- Appropriate questions to ask include:
  - Questions that are simple and to the point. People are nervous and do not easily follow compound questions.
  - Questions directed toward rehabilitation and assessment of ability to practice safely (either with or without conditions).
  - Questions that explore a petitioner's understanding of his/her misconduct/violation and how the petitioner would handle the situation differently today.
  - Questions that focus on evidence, including witness demeanor.
- Areas to avoid include:
  - Ethnic, racial, age, and gender comments.
  - Personal questions that are not relevant to rehabilitation.
  - Re-visiting the original case, except to evaluate subsequent rehabilitation (Avoid questions concerning what the person did to lose

## **Educational Presentation and Discussion Regarding the California Board of Accountancy's Role in Petition Hearings**

Page 4 of 4

his/her license. This is not the forum for these questions, and the case is already final.)

When assessing rehabilitation, the CBA should apply standards by:

- Evaluating facts on a case-by-case basis and in an objective manner. The CBA should consider any mitigating and aggravating factors.
- Being consistent and using disciplinary guidelines if considering granting reinstatement with conditions (understanding they are only guidelines and different facts may require different penalties or conditions). Appeals to emotion should be resisted.
- Considering only facts contained in the "record." No external information from sources like "Google" should be used to obtain information on the petitioner. Government Code section 11425.50(c) requires CBA decisions to meet the following requirement:
  - "The statement of the factual basis for the decision shall be based exclusively on the evidence of record in the proceeding and on matters officially noticed in the proceeding."

After the hearing is complete, the ALJ closes the record. The CBA will convene into closed session. The CBA will render a decision on the petition and provide direction to the ALJ for the preparation of the written decision. The decision is not shared during the hearing but will be mailed to the petitioner after the hearing.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff does not have a recommendation on this agenda item.

### **Attachment**

Business and Professions Code Section 5115

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**Attachment****Business and Professions Code Section 5115**

(a) A person whose license has been revoked or surrendered may petition the board for reinstatement or reduction of penalty after a period of not less than one year has elapsed from the effective date of the decision or from the date of denial of a similar petition, unless a longer period, not to exceed three years, is specified by the board in any decision revoking the license, accepting the surrender of the license, or denying reinstatement of the license.

(b) A person whose license has not been revoked or surrendered but who has been disciplined by imposition of a suspension or otherwise disciplined may petition the board for reinstatement or reduction of penalty after a period of not less than one year has elapsed from the effective date of the decision.

(c) The board shall give notice to the Attorney General of the filing of the petition and the Attorney General and the petitioner shall be afforded an opportunity to present either oral or written argument before the board itself. The board itself shall rule on the petition, and the decision shall include the reasons therefor and any terms and conditions that the board reasonably deems appropriate to impose as a condition of reinstatement or reduction of penalty, including, but not limited to, restrictions on the petitioner's scope of professional practice.



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**CBA Item I.H.**  
September 17-18, 2015

## **Discussion and Next Steps Regarding Audit Quality for Audits Performed for Employee Benefit Plans Covered Under the Employee Retirement Income Security Act of 1974**

**Presented by:** Jose A. Campos, CPA, President

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### **Purpose of the Item**

The purpose of this agenda item is to inform the California Board of Accountancy (CBA) of my intention to assign this important consumer protection topic to the Committee on Professional Conduct (CPC) to begin discussing at its November 2015 meeting.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

In May 2015, the United States Department of Labor's (DOL) Employee Benefits Security Administration published a report titled "Assessing the Quality of Employee Benefit Plan Audits."<sup>1</sup> In the report, the DOL found that 39 percent of these audits contained major deficiencies with respect to one or more relevant generally accepted auditing standards requirements.

The report also found that those firms that perform this type of work least frequently had a 76 percent deficiency rate while those firms performing this work most frequently had only a 12 percent deficiency rate. In addition, it found that the accounting profession's peer review and practice monitoring efforts have not improved employee benefit plan audit quality or identification of deficient audit engagements.

Since the release of the report, the National Association of State Boards of Accountancy (NASBA) has been studying the report and its implications. CBA Members may recall some discussion on this topic in NASBA's Enforcement Newsletter. This matter was also discussed at the NASBA Regional meeting in June and will be discussed again at NASBA's Annual meeting in October.

### **Comments**

In a recent letter from the DOL Office of the Chief Accountant (**Attachment**), the DOL highlighted the findings of the report and provided the CBA with statistics specific to

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<sup>1</sup> The report can be read at <http://www.dol.gov/ebsa/pdf/2014AuditReport.pdf>

## **Discussion and Next Steps Regarding Audit Quality for Audits Performed for Employee Benefit Plans Covered Under the Employee Retirement Income Security Act of 1974**

Page 2 of 2

California. The DOL noted that there is \$653 billion in benefits promised to 22.5 million plan participants and beneficiaries. The CBA licenses over 965 CPA firms auditing over 7,400 employee benefit plans covering more than 9.6 million participants and \$581 billion in plan assets. This means that California is responsible for more than 42 percent of participants nationally and almost 90 percent of the plan assets.

The letter also requested state boards of accountancy to “make it clear that only those CPAs who possess the unique technical expertise to audit employee benefit plans be permitted to perform” these services.

Due to the finding in the report regarding peer review, the CBA’s Peer Review Oversight Committee (PROC) was briefed on the report at its August 2015 meeting. During that meeting, the PROC discussed impacts being seen in the area of peer review as a result of the DOL report.

After reading the August 28, 2015 letter from the DOL and having an opportunity to discuss it with Ms. Bowers, I am assigning the CPC to further study this matter and issue any recommendations it may have to the CBA. Such recommendations could include changes to the CBA’s laws, regulations, continuing education requirements, enhanced enforcement strategies, increased outreach, or any other changes that will improve the quality of employee benefit plan audits in California to protect the consumers relying on those benefit plans.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff does not have a recommendation on this agenda item.

### **Attachment**

Letter Dated August 28, 2015 from the Department of Labor Office of the Chief Accountant to Patti Bowers, CBA Executive Officer

RECEIVED  
U.S. Department of Labor

15 SEP -2 PM 2:11

CALIFORNIA BOARD  
OF ACCOUNTANCY

Employee Benefits Security  
Administration  
Washington, D.C. 20210



August 28, 2015

Ms. Patti Bowers  
Executive Officer  
California Board of Accountancy  
2000 Evergreen Street  
Suite 250  
Sacramento, CA 95815-3832

Dear Ms. Bowers:

I am writing to you today about an issue that is of utmost concern to all of us – the quality of audits performed by CPAs, and more specifically the audits of employee benefit plans.

The U.S. Department of Labor's (the Department) Office of the Chief Accountant recently completed an assessment of the quality of audit work performed by CPAs with respect to employee benefit plans covered under the Employee Retirement Income Security Act of 1974 (ERISA). The results of our study were alarming. Nearly 40% of plan audits failed to comply with generally accepted auditing standards (GAAS), affecting the protection of \$653 billion in benefits promised to 22.5 million plan participants and beneficiaries.

Notable among our findings:

- Firms with the smallest benefit plan audit practices had a 76% deficiency rate in complying with GAAS
- Audit areas that are unique to employee benefit plans such as contributions, benefit payments, participant data and party-in-interest/prohibited transactions, were the most frequent areas containing audit deficiencies.
- The accounting profession's peer review and practice monitoring efforts have had limited success in identifying substandard benefit plan audit work.

Over 6,500 CPAs audit over 74,000 employee benefit plans. These practitioners are licensed throughout the country and, despite requirements to demonstrate due care in the work they perform, requirements to have their practices overseen by peer review programs,

and mandates to continue their professional education, many of these firms perform substandard work. These shortcomings jeopardize the retirement security of your citizens as well as their ability to receive health care benefits.

At the Department, we are continuing our vigorous review of employee benefit plan audits taking advantage of enhanced targeting that identifies CPA firms that need the most attention. However, we need the support of state boards of accountancy to take appropriate action to discipline those CPAs whose work tarnish the profession and violate the public trust. In California, there are 965 CPA firms, auditing 7,453 employee benefit plans, covering 9,648,455 participants and \$581B in plan assets.

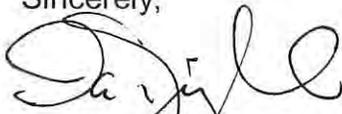
It is imperative that state boards of public accountancy make it clear that only those CPAs who possess the unique technical expertise to audit employee benefit plans be permitted to perform services which are to guard such significant assets. CPAs must know that substandard audit work may subject their clients to civil penalties and put their own licenses at risk.

For the last several years, we have been working with state CPA societies in an effort to make specific training on auditing employee benefit plans available to their members, and with NASBA on various initiatives to improve audit quality. Similarly, we look forward to working with you and with other state boards of accountancy in our continuing efforts to reduce the number of audits that fail to comply with professional standards.

Please visit our website, [www.dol.gov/ebsa](http://www.dol.gov/ebsa), to read the report entitled, "Assessing the Quality of Employee Benefit Plan Audits." We are also working to make publicly available a list of all CPAs that perform employee benefit plan audits, which will allow you to know who is performing employee benefit plan audits in your state.

We share the goal of ensuring that audits are done in accordance with professional standards. Please feel free to contact me at 202-693-8361 if you would like to discuss this further.

Sincerely,

A handwritten signature in black ink, appearing to read "Ian Dingwall", written in a cursive style.

IAN DINGWALL  
Chief Accountant



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**CBA Item II.C.**  
September 17-18, 2015

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

**Presented by:** Katrina Salazar, CPA, Vice-President

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### **Purpose of the Item**

The purpose of this agenda item is to recommend that Robert A. Lee, CPA, (**Attachment**) 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, verify completion of mandatory trainings, 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

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

Page 2 of 2

attendance or performance issues, they may be subject to review and removal from the committee, at any time, by action of the CBA.

Prior to making a decision to recommend Mr. Lee for reappointment to the PROC, I performed all the steps previously mentioned. I believe Mr. Lee has exhibited a high level of professionalism during the performance of his term as a member and as Chair of the PROC. Additionally, Mr. Lee 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, I recommend that Robert A. Lee be reappointed for two years to the PROC, effective October 1, 2015.

### **Attachment**

Curriculum Vitae of Robert A. Lee, CPA



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**CBA Item III.A.**  
September 17-18, 2015

## **Fiscal Year 2014-15 Year End Financial Statement and Governor's Budget**

**Presented by:** Alicia Berhow, Secretary/Treasurer

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the 2014-15 Fiscal Year (FY) end financial statement.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

CBA Financial Statements are prepared quarterly (October, January, April, and August) and are included in CBA meeting materials. These statements provide an overview of year-to-date receipts, expenditures, and the status of the Accountancy Fund Reserve.

### **Comments**

None.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Action and Recommendation**

No specific action is required and staff does not have a recommendation on this agenda item.

### **Attachments**

1. Year End Financial Statement – Narrative
2. Year End Financial Statement – Statistics
3. CBA Budget Allocation History
4. CBA Total Revenue and Expenditures



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**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2014-15**  
**YEAR END FINANCIAL STATEMENT - NARRATIVE**  
(For period of 7-01-14 through 06-30-15)

**Attachment 1**

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**BUDGET**

The fiscal year (FY) 2014-15 budget was set at \$13,696,062. The FY 2015-16 budget is currently set at \$14,153,000.

**REVENUES/TOTAL RECEIPTS**

In FY 2014-15, the CBA collected approximately \$5.3 million in total receipts. Total revenues decreased by approximately 48 percent from FY 2013-14. This significant decrease was anticipated with the CBA entering the first year of a two-year reduction in the license renewal and initial permit, examination, and license application/registration fees. In August, staff submitted revenue projections to the Department of Consumer Affairs (DCA) that will be included in the Governor's Budget for FY 2015-16 as well as the budget for FY 2016-17. Revenues for FY 2015-16 are projected to be approximately \$5.3 million.

There is a significant increase in miscellaneous revenue for FY 2014-15. Miscellaneous revenue includes fees received for miscellaneous services provided to the public, dishonored check fees, certification fees, over/short fees, suspended revenue, and prior year adjustments. The increase is as a result of citations and cost recovery items being inadvertently posted to this line item. The CBA worked with the Department of Consumer Affairs (DCA) to correct some of this revenue information, however, not all the revenue transfers were processed timely by DCA. No further transfers can be processed in FY 2015-16 as they are for the prior year and will create negative balances in the revenue accounts. Internal processes have been modified to ensure this does not reoccur.

**EXPENDITURES**

Total expenditures through FY 2014-15 reflect an approximate 14 percent increase over FY 2013-14. Much of this increase can be attributed to higher personal services costs, including a two percent salary increase.

Salaries and wages have increased as a result of all the vacant Investigative CPA (ICPA) positions being filled in FY 2014-15. This also increased rates for employer paid health insurance and retirement premiums for FY 2014-15.

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2014-15**  
**YEAR END FINANCIAL STATEMENT – NARRATIVE**  
(For period of 7-01-14 through 06-30-15)  
**PAGE 2 OF 3**

Printing expenditures for FY 2014-15 were lower compared to FY 2013-14. The higher amount in FY 2013-14 was due to written communications with licensees regarding new peer review reporting and fingerprinting requirement changes. Printing expenditures for FY 2014-15 are similar to the amounts reported in years prior to FY 2013-14.

Costs in the training expense category increased for this fiscal year. The CBA requires all current and new investigative staff to attend a national certification course in regulatory investigative techniques, which is a prerequisite for enrollment in the DCA Enforcement Academy. The CBA has entered into contracts with outside vendors to provide these courses as well as vendor contracts providing continuing education courses for Investigative Certified Public Accountants. These courses are not available within the DCA training center.

Enforcement costs (Attorney General's Office, Office of Administrative Hearings, and court reporting expenses) have risen significantly due to the larger number of investigations the CBA is able to complete with its increased staffing resources. An increasing number of investigations have also been referred to the Attorney General's Office resulting in higher costs. The CBA is expecting to continue utilizing its consulting resources. Two expert consultant contracts have been extended through FY 2015-16 to assist in the more complex enforcement matters.

Facilities operational expenses (Security costs, building lease and facility maintenance expenses) decreased by 31 percent due to \$350,000 being transferred into the Architectural Revolving Fund in FY 2013-14 to help pay for future moving costs and defray FY 2014-15 expenses.

Expenses for the fingerprint line item were higher than the previous fiscal year and are expected to remain at elevated levels until all licensees, not previously fingerprinted, comply with the mandatory fingerprinting requirements that became effective on January 1, 2014.

The exams line item includes the contract the CBA has with the National Association of State Boards of Accountancy (NASBA). The FY 2014-15 amount is higher than FY 2013-14 because the NASBA contract for examinations is written based on two calendar years to accommodate NASBA's accounting system. The amounts vary each year resulting from the conversion from two calendar years to a "bridge" of three fiscal years to accommodate the State's accounting system. Costs are projected for the first six months of a calendar year, then a whole fiscal year, and finally the remaining six months of the second calendar year. DCA encumbers the funds for potential expenditures per the guidelines of the contract in which the full fiscal year amount is essentially double the amount of the others. The projected expenditure amounts in the contract historically remain the same year to year because actual expenditures for this line item cannot be anticipated.

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2014-15**  
**YEAR END FINANCIAL STATEMENT – NARRATIVE**  
(For period of 7-01-14 through 06-30-15)  
**PAGE 3 OF 3**

Equipment costs have increased significantly for FY 2014-15 compared to FY 2013-14 as a result of Information Technology (IT) purchases, including a phone system and new network infrastructure for the new building.

**RESERVES**

The CBA ended FY 2014-15 with 5.8 months in the Accountancy Fund Reserve (Reserve). Year-end expenditures have exceeded total revenues by approximately \$7.8 million. This decreased the Reserve from approximately \$14.2 million to approximately \$6.6 million. In January 2015, Department of Finance (DOF) released its Loan Obligation Report, which identifies target dates for repayment of a portion of the CBA loans made to the General Fund. Presently, the CBA has approximately \$31 million in loans outstanding. The Loan Obligation Report reflects the following repayment schedule:

Fiscal Year 2015/16	\$6,000,000
Fiscal Year 2016/17	\$270,000
Fiscal Year 2017/18	\$11,000,000

The DOF should be releasing an updated repayment schedule shortly. Once available, further information will be provided to CBA members.

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2014-15**  
**Year End Financial Statement**  
(for period of 07/1/14 through 06/30/15)

**Attachment 2**

	FY 2014-15 Received/Expended 07/01/14 - 06/30/15 (12 months) [7]	FY 2013-14 Received/Expended 07/01/13 -06/30/14 (12 months) [7]	% Change FY 2014-15 to FY 2013-14 to (A:B)	FY 2014-15 Annual Governor's Budget 7/01/14 - 6/30/15 (12 months) [8]	FY 2014-15 Receipts/Expenditures Over/Under Budget (D:A)
<b>RECEIPTS</b>					
<b>Revenues:</b>					
Renewals [1]	2,813,028	5,796,577	-51.5%	2,816,637	-0.1%
Examination Fees	2,112,049	2,997,342	-29.5%	2,171,707	-2.7%
Licensing Fees	168,650	1,209,250	-86.1%	211,480	-20.3%
Miscellaneous [2]	85,181	44,379	91.9%	45,090	88.9%
Penalties and Fines	119,025	229,280	-48.1%	187,850	-36.6%
<b>Total Revenues</b>	<b>5,297,933</b>	<b>10,276,828</b>	<b>-48.4%</b>	<b>5,432,764</b>	<b>-2.5%</b>
Interest	25,067	33,054	NA	0	NA
<b>TOTAL NET RECEIPTS</b>	<b>5,323,000</b>	<b>10,309,882</b>	<b>-48.4%</b>	<b>5,432,764</b>	<b>-2.0%</b>
<b>EXPENDITURES:</b>					
<b>Personal Services:</b>					
Salaries & Wages	5,089,859	4,324,219	17.7%	5,452,095	-6.6%
Temporary Help	633,628	462,664	37.0%	200,000	216.8%
<b>Total Salaries &amp; Temp. Help</b>	<b>5,723,487</b>	<b>4,786,883</b>	<b>19.6%</b>	<b>5,652,095</b>	<b>210.2%</b>
<b>Benefits</b>					
Health Insurance	725,713	655,362	10.7%	1,050,133	-30.9%
Other Insurance and Miscellaneous	295,103	249,639	18.2%	114,194	158.4%
State Retirement	1,233,852	859,345	43.6%	1,325,424	-6.9%
Social Security	320,003	268,750	19.1%	403,818	-20.8%
<b>Total Benefits [3]</b>	<b>2,574,671</b>	<b>2,033,096</b>	<b>26.6%</b>	<b>2,893,569</b>	<b>99.9%</b>
<b>Total Personal Services:</b>	<b>8,298,158</b>	<b>6,819,979</b>	<b>21.7%</b>	<b>8,545,664</b>	<b>-2.9%</b>
<b>Operating Expenses:</b>					
Fingerprints	67,102	35,363	89.8%	122,954	-45.4%
General Expense	219,371	158,651	38.3%	337,530	-35.0%
Printing	211,166	326,094	-35.2%	95,608	120.9%
Communications	37,977	28,532	33.1%	59,614	-36.3%
Postage	279,624	233,105	20.0%	141,872	97.1%
Travel	222,078	195,355	13.7%	135,886	63.4%
Training	45,327	23,481	93.0%	28,012	61.8%
Facilities Operations	731,193	1,057,820	-30.9%	742,818	-1.6%
Consultant & Professional Services	53,802	45,421	18.5%	242,076	-77.8%
Departmental Services	1,318,421	1,405,339	-6.2%	1,329,046	-0.8%
Consolidated Data Center	92,741	80,290	15.5%	40,770	127.5%
Data Processing	26,577	23,942	11.0%	50,103	-47.0%
Central Administrative Services	495,398	415,964	19.1%	495,398	0.0%
Exams	95,238	37,400	154.6%	0	NA
Enforcement [9]	850,305	688,291	23.5%	1,463,551	-41.9%
Equipment	275,209	146,436	87.9%	161,160	70.8%
<b>Total Operating Expenses:</b>	<b>5,021,529</b>	<b>4,901,484</b>	<b>2.4%</b>	<b>5,446,398</b>	<b>-7.8%</b>
<b>TOTAL EXPENDITURES</b>	<b>13,319,687</b>	<b>11,721,463</b>	<b>13.6%</b>	<b>13,992,062</b>	<b>-4.8%</b>
Less Scheduled Reimbursements	201,372	202,520	-0.6%	296,000	-32.0%
<b>TOTAL NET EXPENDITURES</b>	<b>13,118,315</b>	<b>11,518,943</b>	<b>13.9%</b>	<b>13,696,062</b>	<b>-4.2%</b>
<b>RECEIPTS IN EXCESS OF EXPENSES</b>	<b>-7,795,315</b>	<b>-1,209,061</b>		<b>-8,263,298</b>	
<b>PLUS COST RECOVERY</b>	<b>227,341</b>	<b>86,414</b>		<b>0</b>	
<b>BEGINNING RESERVES JULY 1 [4]</b>	<b>14,185,000</b>	<b>15,361,000</b>		<b>14,185,000</b>	
<b>Total Resources</b>	<b>6,617,025</b>	<b>14,238,353</b>		<b>5,921,702</b>	
<b>PROJECTED ENDING RESERVES</b>	<b>6,617,025</b>	<b>14,238,353</b>	<b>-53.5%</b>	<b>5,921,702</b>	
<b>GENERAL FUND LOAN 2002 [5]</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>			
<b>GENERAL FUND LOAN 2003 [5]</b>	<b>(270,000)</b>	<b>(270,000)</b>			
<b>GENERAL FUND LOAN 2008 [5]</b>	<b>(14,000,000)</b>	<b>(14,000,000)</b>			
<b>GENERAL FUND LOAN 2010 [5]</b>	<b>(10,000,000)</b>	<b>(10,000,000)</b>			
<b>GENERAL FUND LOAN 2011 [5]</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>			
<b>MONTHS IN RESERVE (MIR) [6]</b>	<b>5.8</b>	<b>12.5</b>		<b>5.2</b>	

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2014-15**  
**Year End Financial Statement**  
(for period of 07/1/14 through 06/30/15)

---

**Footnotes:**

- [1] Includes biennial renewals, delinquent and prior year renewals, and initial licenses.
- [2] Includes miscellaneous services to the public, dishonored check fees, certification fees, duplicate licenses, name change over/short fees, suspended revenue, prior year adjustments, and unclaimed checks.
- [3] The following line items are part of the total benefits figure:  
Health Insurance - health, dental, vision.  
Other insurance and Miscellaneous - worker's compensation, unemployment insurance, transit discount.
- [4] FY 2013-14 and 2014-15 beginning reserve amount was taken from Analysis of Fund Condition statement, prepared by the Department of Consumer Affairs (DCA) Budget Office.
- [5] Funds borrowed per California Government Code Section 16320, which indicates that the Budget Act is the authority for these loans. The "terms and conditions" of the loans, per the Budget Act are: "The transfer made by this item is a loan to the General Fund. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer." (Estimated at .389% for 2011, .515% for 2010, 2.78% for 2008, 1.64% for 2003 loan, and 2.523% for 2002). "It is the intent of the Legislature that repayment be made so as to ensure that the programs supported by this fund are not adversely affected by the loan through a reduction in service or an increase in fees." Outstanding General Fund loans total \$31,270,000.
- [6] Calculation: Net projected expenditure authority for FY 2014-15 (\$13,696,062 divided by twelve months equals monthly expenditure authority (\$1,141,339). Total ending reserves divided by monthly authority equals "Months in Reserve" (MIR).
- [7] Received/Expended amounts through June 30, 2015 for FY 2014-15 and June 30, 2014 for FY 2013-14 include encumbrances, and are from DCA Budget Reports.
- [8] Figures reflect projected revenues from FY 2014-15 Workload and Revenue Statistics, expenditures are provided by the Department of Consumer Affairs Budget Office.
- [9] Annual expenditures projected for the Enforcement line item are based only on what the CBA has spent to date. No other facts are used in determining this projection. This estimate is not indicative of the number or type of enforcement cases the CBA anticipates being involved in or is currently investigating.

NOTE: CBA Financial Reports are prepared quarterly (October, January, April, and August) and included in CBA Meeting materials. These reports provide an overview of receipts, expenditures, and the status of the Accountancy Fund Reserve.

### CBA Budget Allocation History

Fourth Quarter FY 2014-15	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board
<b>\$ Budgeted</b>	<b>\$13,696,062</b>	106,844	875,018	1,407,264	479,493	1,234,494	6,865,778	2,206,522	445,190	75,459
<b>\$ Spent</b>	<b>\$13,118,315</b>	130,062	862,989	1,314,742	593,728	1,521,636	5,745,218	2,200,346	605,215	144,376
<b>Authorized Positions<sup>2</sup></b>	<b>93.9</b>	1.0	6.0	13.0	4.0	11.0	39.5	16.4	3.0	0.0

<sup>1</sup> Dollars spent through the first quarter ending June 30, 2015.

<sup>2</sup> 17 Enforcement positions and one Initial Licensing position were added as a result of 3 successful FY 2014-15 BCPs. 11 of the 17 Enforcement positions are limited-term and will expire in two to three years

FY 2013-14	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board
<b>\$ Budgeted</b>	<b>\$11,557,852</b>	127,993	860,445	1,332,593	533,006	1,550,464	4,580,456	2,056,711	437,199	78,985
<b>\$ Spent</b>	<b>\$11,518,942</b>	69,862	886,921	1,266,414	582,303	1,592,579	3,956,921	2,218,063	834,781	111,098
<b>Authorized Positions<sup>1</sup></b>	<b>75.9</b>	1.0	6.0	11.0	4.0	11.0	22.5	17.4	3.0	0.0

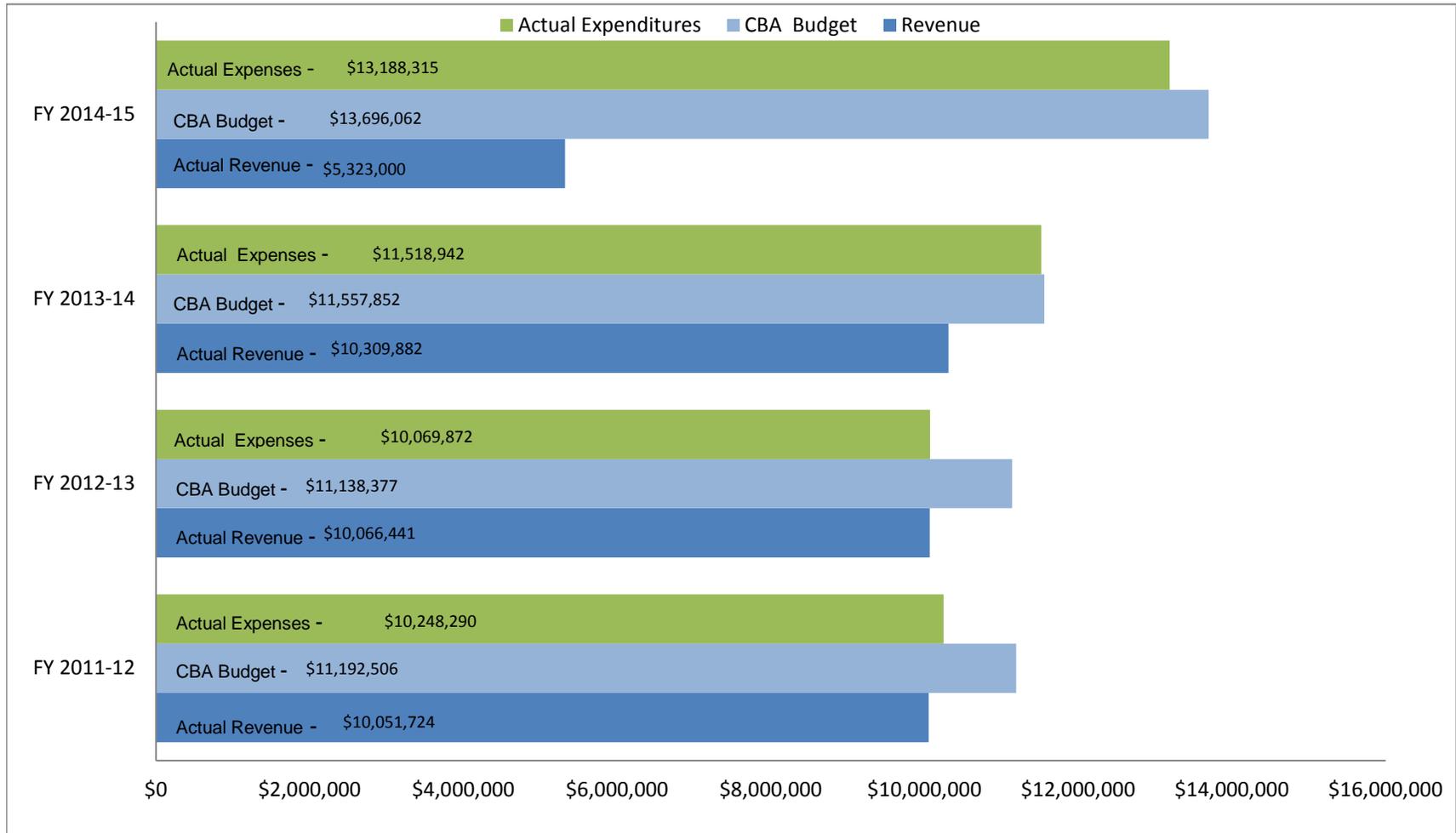
<sup>1</sup> Three limited-term positions expired as of June 30, 2013. One permanent Practice Privilege office assistant position was eliminated via a negative BCP.

FY 2012-13	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board
<b>\$ Budgeted</b>	<b>\$11,138,377</b>	210,426	866,598	1,300,985	605,291	1,155,907	4,462,554	2,000,197	417,059	119,360
<b>\$ Spent</b>	<b>\$10,069,872</b>	173,158	811,677	1,182,577	563,050	1,299,912	3,442,237	2,129,545	470,587	122,987
<b>Authorized Positions<sup>3</sup></b>	<b>79.9</b>	2.0	6.0	12.0	5.0	11.0	22.5	18.4	3.0	0.0

<sup>3</sup> The elimination of salary savings required by the Department of Finance in FY 2012-13, required the CBA to eliminate 3.6 authorized positions.

FY 2011-12	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board
<b>\$ Budgeted</b>	<b>\$11,192,506</b>	223,850	783,475	1,455,026	559,625	1,119,251	4,365,077	2,126,576	447,700	111,925
<b>\$ Spent</b>	<b>\$10,248,290</b>	169,721	957,906	1,217,073	555,507	1,016,342	3,552,814	2,093,066	586,124	99,736
<b>Authorized Positions</b>	<b>83.5</b>	2.0	7.0	12.0	5.0	11.0	22.5	20.0	4.0	0.0

## CBA Total Revenue and Expenditures





**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  
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**CBA Item IV.C.**  
September 17-18, 2015

## **Presentation of California Board of Accountancy Annual Report for Fiscal Year 2014-15**

**Presented by:** Deanne Pearce, Assistant Executive Officer

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### **Purpose of the Item**

The purpose of this agenda item is to present *the California Board of Accountancy Annual Report for Fiscal Year 2014-15*.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

This report is presented annually and is published to the CBA website in the interest of transparency.

### **Comments**

This report highlights CBA activities and accomplishments from July 1, 2014 to June 30, 2015.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff does not have a recommendation on this agenda item.

### **Attachment**

*California Board of Accountancy Annual Report for Fiscal Year 2014-15.*

# Annual *Report*

## CALIFORNIA BOARD OF ACCOUNTANCY

**T**he Mission of the California Board of Accountancy is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.



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Fiscal Year 2014-15

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## EXECUTIVE OFFICER'S STATEMENT

It is my pleasure to present you with the California Board of Accountancy Annual Report for Fiscal Year 2014-15. Our mission of consumer protection and our vision of consumers receiving quality services from licensees they can trust have served as a beacon as we strive to serve stakeholders, including consumers and licensees.



The California Board of Accountancy (CBA) has had many successes over the past year and many opportunities to achieve tasks that are in concert with the CBA's ever-important values, which include consumer protection, integrity, quality and professionalism, transparency, initiative, respect, accountability, and teamwork.

The key to ensuring an organization can meet its mission and goals is to establish a benchmark of excellence and leading by example. Keeping these concepts ever present, and working with a consumer-focused board of leaders and staff, below are highlights of accomplishments that meet our consumer protection mandate:

### Consumer Protection

The CBA took disciplinary action on 63 matters during fiscal year 2014-15, representing an 85 percent increase over the prior fiscal year. Disciplinary actions protect consumers as it imposes license revocation or practice monitoring via probation to ensure licensees are practicing public accountancy in accordance with rules, regulations and professional standards.

### Outreach

The CBA participated in several state-wide outreach events focused on educating stakeholders. Events included presentations to future CPAs, licensees, and members of academia regarding the CBA's mission and examination, licensure, and license renewal requirements. The events provided the opportunity to collaborate with professional associations and colleges/universities, which provides another avenue to share the message of consumer protection.

### Enforcement

The CBA has increased staffing in the Enforcement Division to address case aging and focus resources on ensuring licensees are in compliance with the California Accountancy Act and CBA Regulations, including peer review and fingerprinting requirements, which all work to ensure and enhance consumer protection.

### Sunset Review

The CBA successfully underwent Sunset Review. The Sunset Review process is comprehensive, requiring the development of an extensive report detailing activities in the prior four years and testifying before the legislature addressing why regulation of the accounting profession is critical to consumer protection. The CBA received positive feedback during the Sunset Review hearing and during the Assembly Business and Professions Committee hearing, the CBA received accolades from the Chair regarding its performance as a board.

### Licensing

The CBA has continued to process applications for examination and licensure within 30 days. This target timeframe has assisted future CPAs in obtaining timely licensure and promptly enabling them to practice public accountancy.

### Budget

The CBA has taken steps to reduce its high reserve levels and set fees to ensure revenues and expenditures are in balance. This action has reduced costs for those entering the CPA profession. Additionally, licensees have been positively impacted by paying reduced renewal fees.

The CBA has also seen many other successes, such as collaborating with other state agencies, including the State Controller's Office regarding educating CPAs on how they can assist their clients in meeting unclaimed property reporting requirements. Further, the CBA participated in three national meetings with the National Association of State Boards of Accountancy, including the 107<sup>th</sup> Annual Meeting, the Western Regional Meeting, and the Strategic Planning Forum.

Every task that is accomplished at the CBA, from answering a phone call at reception, to processing of an application for CPA licensure, to investigating a complaint, and acting on items at CBA meetings are done in the interest of consumer protection. This report provides details regarding the activities that have occurred that demonstrate the CBA's focus on customer satisfaction and result in the CBA meeting its mandate of consumer protection.

Patti Bowers  
Executive Officer

## THE CBA ORGANIZATION

The CBA's legal mandate is to regulate the accounting profession for the public interest. The CBA establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its authority to license. The CBA's practice act is found at section 5000 *et seq.* (Accountancy Act) of the Business and Professions Code (BPC), and the CBA's regulations appear in Title 16, Division 1 of the California Code of Regulations (CBA Regulations).

The CBA has the authority to license and discipline individuals, partnerships, and CPA corporations. As accounting practitioners, the CPA and the public accountant (PA) are sole proprietors, partners, shareholders, and staff employees of public accounting firms. They provide professional services to individuals; private and publicly-held companies; financial institutions; nonprofit organizations; and local, state, and federal government entities. CPAs and PAs also are employed in business and industry, in government, and in academia. The CBA performs its consumer protection mission for many stakeholders, including:

- Consumers of accounting services who require audits, reviews, and compilations of financial statements, tax preparation, financial planning, business advice and management consultation, and a wide variety of related tasks.
- Lenders, shareholders, investors, and small and large companies who rely on the integrity of audited financial information.
- Governmental bodies, donors, and trustees of not-for-profit agencies, which require audited financial information or assistance with internal accounting controls.
- Regulatory bodies such as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Public Utilities Commission, Department of Insurance, Department of Labor, the Government Accountability Office, and federal and state banking regulators; and local, state, and federal taxing authorities.
- Retirement systems, pension plans, capital markets and stock exchanges.
- Other state boards of accountancy.

Current law mandates that the CBA consist of 15 members, seven of whom must be CPAs, and eight of whom must be public members, not licensed or registered by the CBA. The Governor appoints four of the public members and all seven licensee members. The Senate Rules Committee and the Speaker of the Assembly each appoint two public members.

The members of the CBA appoint an Executive Officer to oversee the daily operations of the board and implement the various policy decisions made by the board. The CBA is comprised of three divisions that encompass the areas of Administration, Licensing, and Enforcement. There are approximately 95 permanent staff members and additional temporary staff that assist throughout the CBA in various capacities. Although the CBA is "divided" into three divisions, the CBA operates as one, knowing that each activity performed is being done so in the interest of consumer protection.



## CBA MEMBERS

### LEADERSHIP



**Jose A. Campos, CPA, President  
Governor Appointee**



**Katrina Salazar, CPA, Vice President  
Governor Appointee**



**Alicia Berhow, Secretary/Treasurer  
Governor Appointee**

### CURRENT MEMBERS



**Sarah "Sally" Anderson, CPA  
Governor Appointee**



**Herschel T. Elkins, Esq.  
Senate Rules Committee Appointee**



**Lawrence (Larry) Kaplan  
Speaker of the Assembly Appointee**



**Louise Kirkbride  
Governor Appointee**



**Kay Ko  
Governor Appointee**



**Leslie LaManna, CPA  
Governor Appointee**



**Xochitl A. León  
Senate Rules Committee Appointee**



**Jian Ou-Yang, CPA  
Governor Appointee**



**Deidre Robinson**  
Governor Appointee



**Michael M. Savoy, CPA**  
Governor Appointee



**Mark J. Silverman, Esq.**  
Governor Appointee



**Kathleen K. Wright, JD, CPA, LLM, MBA**  
Governor Appointee

## FORMER MEMBERS



**Diana Bell**



**Manuel J. Ramirez, CPA**



**Kitak (K.T.) Leung, CPA**

## STRATEGIC PLANNING

The 2013-15 Strategic Plan (Plan), adopted in September 2012, has provided clear, relevant, and consumer-focused goals to guide the CBA. The goals include Enforcement, Customer Service, Licensing, Outreach, Laws and Regulations, Emerging Technologies, and Organizational Effectiveness. These goals provided a framework for the Plan's 28 objectives, most of which are now complete. During the three-year time period covered by the Plan, the CBA has had significant successes in completing objectives, which include the following:

### **Goal 1 – Enforcement**

---

***Maintain an active, effective, and efficient program to maximize consumer protection.***

- Strengthened Enforcement by increasing staff to address peer review matters and the increasing inventory of complaints.
- Expanded fieldwork of Investigative CPAs, reducing investigative timeframes, and ensuring licensees are adhering to relevant laws.

### **Goal 2 – Licensing**

---

***Maintain an active, effective, and efficient program that maximizes customer service to Uniform CPA Examination candidates, applicants for CPA licensure, and licensees.***

- Maintained processing timeframes for examination and initial CPA licensure at or under 30 days.
- Implemented the new educational requirements for CPA licensure. The landmark changes strengthened consumer protection by requiring coursework focused on ethics. The new educational requirements also made the CBA's licensing requirements substantially equivalent with other jurisdictions increasing the opportunity for interstate mobility.
- Implemented the new no notice, no fee practice privilege program (commonly referred to as mobility). Created an on-line internet lookup feature for consumers to verify whether out-of-state licensees have had disciplinary action taken against their license and to identify whether out-of-state licensees are prohibited from practicing public accountancy in California.

### **Goal 3 – Customer Service**

---

***Deliver the highest level of customer service.***

- Enhanced customer service by responding to stakeholder inquiries in a timely manner, ensured a high level of professionalism when interacting with stakeholders, and listened to our stakeholder's comments via surveys and made improvements where possible.

### **Goal 4 – Outreach**

---

***Provide and maintain effective and timely outreach to all CBA stakeholders.***

- Strengthened and improved the CBA's outreach activities by partnering with professional societies, educational institutions, and student organizations to conduct presentations on the

CBA and its mission of consumer protection as well as examination and licensure requirements.

- Obtained out-of-state travel approval for CBA and committee members, enabling CBA participation at national events focused on the regulation of the accounting profession. The attendance was critical to provide the CBA with a voice and platform to discuss consumer related initiatives. It further underpinned the CBA's leadership nationally given that California has the largest candidate and licensee population.

### ***Goal 5 – Laws and Regulations***

---

***Maintain an active presence and leadership role that efficiently leverages the CBA's position of legislative influence.***

- Established legislative best practices, which have strengthened the CBA's visibility with the legislature, improved relationships with legislative staff, and assisted in the CBA's successful Sunset Review process.

### ***Goal 6 – Emerging Technologies***

---

***Improve efficiency and information security through use of existing and emerging technologies.***

- Strengthened the CBA's information technology infrastructure by replacing firewalls and servers with new equipment and updated the CBA's internet connection to increase capacity.

### ***Goal 7 – Organizational Effectiveness***

---

***Maintain an efficient and effective team of leaders and professionals by promoting staff development and retention.***

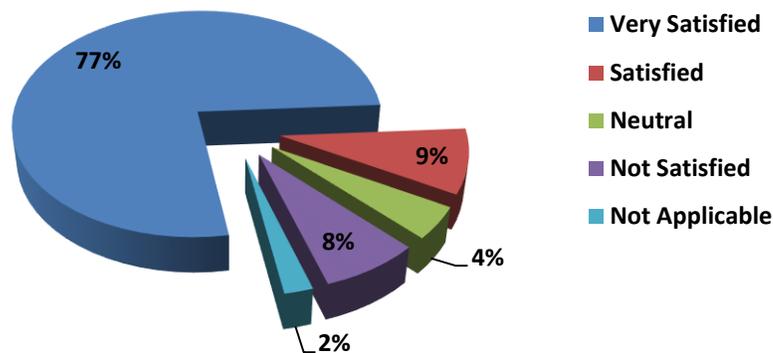
- Created an intranet website called "Grow Your Career" for staff to access information on upward mobility. The "one stop shop" website provides job classification descriptions, sample interview questions, tips on interviewing, and links to available positions.
- Encouraged staff participation in training with the Department of Consumer Affairs Strategic Organization, Leadership, and Individual Development as well as available external providers.
- Promoted several internal staff who demonstrated skill, extensive knowledge, strong work ethic and a high level of customer service. The internal promotions are also consistent with the CBA's Succession Plan.

As the CBA approached 2015, activities were initiated to develop the 2016-18 Strategic Plan. In March 2015, the Strategic Planning Committee recommended and the CBA approved an approach on development, which included conducting interviews with members, committee members, and staff and conducting surveys with CBA stakeholders to receive feedback on the CBA's strengths and weaknesses. The information gathered assisted the CBA during its workshop in July 2015. The 2016-18 Strategic Plan will be presented for approval to the CBA in late 2015.

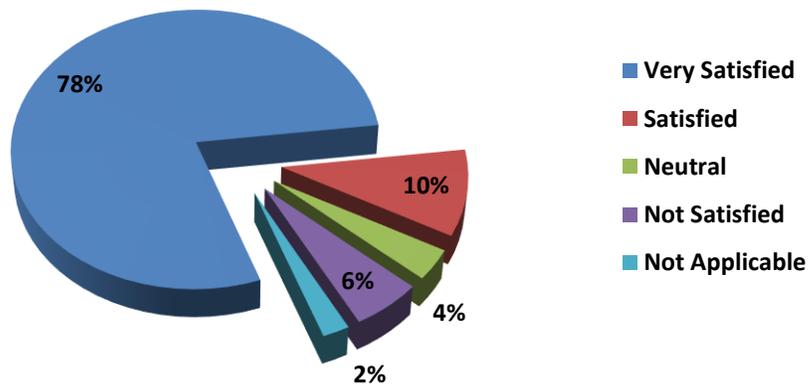
## STAKEHOLDER SATISFACTION

The CBA Stakeholder Satisfaction Survey offers a significant source of feedback from stakeholders on their experiences with the CBA. The CBA uses the results to further improve its customer service to all CBA stakeholders. On average, more than 86 percent of those responding to the survey report being satisfied with the service they received from the CBA. Additionally, more than 88 percent reported being satisfied with how quickly staff responded to their inquiries, as recorded in the accompanying Survey Results charts.

### Did CBA Service Meet Your Expectations?

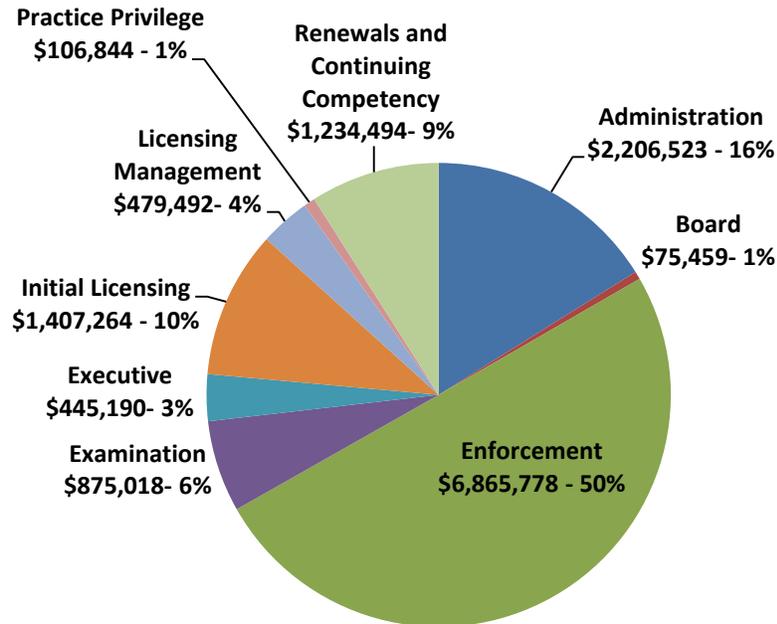


### Were You Satisfied with the CBA's Response Time to Your Inquiry?





## Fiscal Year 2014/15 Allocations Total Budget: \$13,696,062



The CBA's budget in Fiscal Year (FY) 2014-15 was \$13,696,062, which represents the maximum amount of money that the CBA can spend on annual operations. The chart above illustrates the resources allotted within the CBA. The CBA Administration Division is responsible for determining the budgets for each program with the number and classification of personnel, specific contracts, and expected equipment purchases all considered when determining these amounts.

### BUDGET REPORTING

The CBA is kept apprised of its budget and year-to-date expenditure and revenue data via financial reports at CBA meetings. These reports reflect revenues, expenditures, and reimbursements for the current quarter and are compared to the same quarter of the prior year. Charts included in the quarterly budget reports show historical CBA data with year-end expenditure projections reflecting revenue and expenditure levels.

The CBA is kept apprised of all matters relating to the CBA budget, information is often shared throughout the year in the monthly Executive Officers report and at times is sent via email if the matter is of critical importance. During the last fiscal year, CBA members received additional budget information regarding the BreEZe project and its potential impact on the Accountancy Fund.

The CBA also posts a budget summary in the Spring edition of UPDATE, which contains a breakdown of the CBA budget and how the funds are allocated.

Internally, detailed monthly budget reports that contain all revenue collections and expenditures, are reviewed for accuracy and then summarized to provide year-to-date financial information for all budget line items. The reports are used to monitor spending levels and determine whether adjustments in purchases or spending should be made in a given area.

## RESERVE LEVEL

The following table provides a general summary of the CBA Reserve including statistics for FY 2014-15 and staff projections for the next two years.

### CBA Reserve Summary

ANALYSIS OF FUND CONDITION	FY 2014-15 (Actual) <sup>1</sup>	FY 2015-16 (Projected) <sup>2</sup>	FY 2016-17 (Projected) <sup>2</sup>
<b>Total Reserves, July 1</b>	\$14,239,000	\$6,294,000	\$4,043,000
<b>Total Revenues</b>	\$5,471,000	\$5,366,000	\$14,883,000
<b>Total Transfers</b>	\$0	\$6,151,380 <sup>3</sup>	\$274,428 <sup>4</sup>
<b>Total Resources</b>	\$19,710,000	\$17,811,000	\$19,201,000
<b>Total Expenditures</b>	\$13,786,000	\$13,888,000	\$14,802,000
<b>Scheduled Reimbursements</b>	\$296,000	\$296,000	\$296,000
<b>Investigative Cost Recovery</b>	\$74,000	\$134,000	\$134,000
<b>Reserve, June 30</b>	\$6,294,000	\$4,043,000	\$4,519,000
<b>MONTHS IN RESERVE</b>	5.6	3.3	3.8

<sup>1</sup> As of Fiscal Month 12 data from Department of Consumer Affairs Budget Reports

<sup>2</sup>The revenue figures for FY 2016-17 reflect revenue increases from increasing of License Renewal and Initial Permit fees.

<sup>3</sup>A \$6 million General Fund Loan is scheduled to be repaid in FY 2015-16. It is projected that the interest which is required to be repaid at the time of loan repayment, will amount to \$151,380.

<sup>4</sup>A \$270,000 General Fund Loan is scheduled to be repaid in FY 2016-17. It is projected that the interest which is required to be repaid at the time of loan repayment will amount to \$4,428.

## FEE INCREASE

At the November 2014 CBA meeting, the CBA was presented with preliminary information regarding the CBA's Reserve levels and fee increase options that would increase the Reserve. The CBA expressed support for increasing fees to support a sufficient reserve amount that would ensure the CBA had sufficient resources to carry out its consumer protection mandate.

At the March 2015 CBA meeting, additional information was presented regarding possible fee level options to further increase the Reserve based on feedback received while the CBA was undergoing its Sunset Review process. The CBA ultimately voted to restore initial permit and license renewal fees to \$200, the level in place prior to FY 2010-11. Application fees for the Uniform CPA Examination and CPA and accounting firm licensure were maintained at reduced levels to assist those entering the profession.

The regulatory proposal to implement the fee changes is presently undergoing the rulemaking process. Once the fee increase regulations are approved by the Office of Administrative Law they will take effect on July 1, 2016.

The new fees will increase the CBA's Reserve levels and bring revenues and expenditures more closely in line.

## GENERAL FUND LOANS

The CBA presently has \$31,270,000 in loans to the General Fund outstanding. In January 2015, the Department of Finance released its Loan Obligation Report, which identifies target dates for repayment of a portion of the CBA loans made to the General Fund. The Loan Obligation Report reflects the following repayment schedule:

### Department of Finance General Fund Loan Repayment Schedule<sup>1</sup>

<b>Fiscal Year 2015-16</b>	\$6,000,000
<b>Fiscal Year 2016-17</b>	\$270,000
<b>Fiscal Year 2017-18</b>	\$11,000,000

<sup>1</sup> Information based on the Department of Finance Loan Obligation Report, dated December 31, 2014

Updates regarding the General Fund loans are provided during the financial reports presented during the CBA meetings.



## PROJECTS AND ACTIVITIES

### SUNSET REVIEW ACTIVITIES

The CBA plays an important role in protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. Every four years, the Legislature performs, what is known as a, “Sunset Review” on the CBA, as well as other various boards and bureaus within the Department of Consumer Affairs (DCA), to evaluate and discuss its value, performance, and to make recommendations for improvement. This process not only provides valuable dialogue between the Legislature and the CBA, but also promotes public participation and input regarding the CBA’s performance.

In October 2014, the CBA began its Sunset Review process with the submission of the CBA’s 2014 Sunset Review Report, which highlighted the many consumer protection achievements made since the last sunset review, answered preliminary questions, and brought forward new issues for discussion.

In response to this report, the Legislature published a Background Paper on the CBA in preparation for a Joint Oversight Hearing before the Senate Business, Professions and Economic Development (Senate BP&ED) and Assembly Business and Professions Committees.

The Background Paper was released in March 2015, and identified six key issues for the CBA to address:

1. the continuance of the peer review program
2. the CBA’s progress in meeting the formal discipline performance measure of 540 days
3. allowing the CBA to include permanent practice restrictions as part of a final disciplinary order
4. the adequacy of the CBA’s Reserve level
5. consumer satisfaction with the CBA
6. whether the CBA’s sunset date should be extended

On March 18, 2015, Vice-President Katrina Salazar, CPA, and CBA Executive Officer Patti Bowers testified before the Legislature to discuss key issues and speak to the value of the CBA in protecting California consumers.

Senator Jerry Hill, Chair of the Senate BP&ED, introduced Senate Bill (SB) 467, with a favorable recommendation to extend the CBA’s sunset date from January 1, 2016 to January 1, 2020. During the Sunset Review hearing in March 2015, the CBA received positive feedback regarding its performance as a board. Subsequently, the CBA received similar accolades from the Chair of the Assembly Business and Professions Committee while the bill was being presented at the Appropriations hearing.

There is a dedicated sunset review activity section on the CBA website ([www.cba.ca.gov](http://www.cba.ca.gov)) which includes the CBA’s 2014 Sunset Review Report, the Legislature’s Sunset Review Background Paper, and the CBA’s Response to Issues Raised in the Background Paper.

## CALIFORNIA PRACTICE PRIVILEGE AND MOBILITY

The Mobility Stakeholder Group (MSG) was established by the Legislature with the passage of Senate Bill 1405 in 2013. The MSG is a seven member committee comprised of two representatives of the accounting profession, two consumer representatives, two CBA members and one CBA staff member. The MSG will advise the CBA on important issues related to the enacted practice privilege provisions (or commonly referred to as mobility), including whether the practice privilege law is consistent with the CBA's duty to protect the public and satisfies the objectives of stakeholders in this state, including consumers.

In fiscal year (FY) 2014-15, the MSG focused on assisting the CBA in determining whether the practice privilege law is consistent with its duty to protect the public and satisfies the objectives of stakeholders in California. The MSG held four meetings to discuss important issues and make periodic reports to the CBA. The following highlight some of the major accomplishments of the MSG during the past year:

- Discussed whether the consumer protection provisions of the practice privilege law currently in place are consistent with the CBA's duty to protect the public.
- Adopted the definition of stakeholders, as previously used in the CBA's 2013-2015 Strategic Plan.
- Identified initial stakeholder objectives, namely to help out-of-state licensees know and understand their self-reporting requirements and to assure the CBA that all states have adequate enforcement.
- Opined that CBA's enforcement practices met the National Association of State Boards of Accountancy (NASBA) Guiding Principles of Enforcement (NASBA Enforcement Guidelines).
- Assisted in preparing the CBA's Preliminary Determinations Report to the Legislature.

In support of the MSG, staff has done outstanding work researching and developing agenda items used by members to render decisions and make recommendations to the CBA. Staff has spent significant time ensuring the MSG has all the information and resources necessary to carry out its statutory directives, including collaborating with the NASBA on agenda items and presentations to the MSG.



*Joint CBA/MSG Meeting in Los Angeles, CA – May 2015*

In the coming year, the MSG anticipates laying the groundwork and initiating a project to compare other states' enforcement programs to the NASBA Enforcement Guidelines. Licensees from states where the enforcement program is found to be substantially equivalent to the NASBA Enforcement Guidelines will be allowed to remain in the current no notice, no fee practice privilege program.

## STUDY OF CALIFORNIA'S ATTEST EXPERIENCE REQUIREMENT FOR CPA LICENSURE

In March 2013, past-President Leslie LaManna, CPA, established the Taskforce to Examine Experience for CPA Licensure (Taskforce). The primary purpose and goal of the Taskforce was to examine the experience requirement for CPA licensure, determine whether changes (if any) are necessary, and provide a recommendation to the CBA.

In September 2013, after the conclusion of the Taskforce's work, the CBA adopted a position to perform a more comprehensive study of California's attest experience requirement, both statewide and nationally. The CBA secured an outside vendor, CPS HR Consulting (CPS), to assist in the collection of California-specific data, while the national data would be gathered by staff.

In FY 2014-15, the CBA continued its work with CPS to determine the contents of the attest study. At its January 22-23, 2015 meeting, the CBA finalized the study to involve surveying a wide range of groups in California, including consumers, applicants, new and experienced licensees, hiring managers, licensees who supervise and sign-off on attest experience, as well as accounting department faculty at various colleges and universities. The study would also include a national survey to other state boards of accountancy in the remaining 54 jurisdictions.



At its March 19-20, 2015 meeting, the CBA determined it would conduct a pre-testing of the study to a random selection of its target stakeholders to assist in ensuring the survey questions are easy to navigate and convey clear and effective questions, which produce relevant feedback. The full study will launch to stakeholders and other state boards in August 2015. Postcards will be sent to 90,000 licensees requesting feedback. A report on the results of the survey will be provided to the CBA in January 2016.

## OFFICE RELOCATION

In FY 2014-15 the CBA signed a lease to relocate its headquarters office. The new updated facility is conveniently located close to major highways, is approximately two miles north of downtown Sacramento and nine miles southeast of the Sacramento International Airport. It is anticipated the CBA will begin occupying this space in early 2016. The new facility will have the space to accommodate Northern California CBA meetings and Committee meetings, resulting in reduced costs associated with facility rental and staff travel. The location will allow the CBA to be housed in one location, improve communication, increase functionality and productivity and will allow for growth as the CPA profession continues to expand. Staff is working to ensure the move occurs without any impact to consumers, licensees, and other CBA stakeholders.





## LEGISLATION

### LEGISLATIVE BEST PRACTICES

To further strengthen CBA communications with the Legislature, staff presented newly established Legislative Best Practices at the January 22, 2015 meeting and followed these practices during fiscal year 2014-15. Established best practices include increased communications with the author of the bill, inviting the authors or their legislative staff to attend CBA meetings, providing the CBA's legislative analysis to the author's office, and proactively expressing the CBA's willingness to meet and discuss the bill. These best practices worked to further strengthen the CBA's relationship with the Legislature.

### 2015 LEGISLATION

The CBA continues to maintain an active role with the Legislature by tracking legislation and meeting with legislators regarding bills that impact consumers of accounting services and/or directly relates to the CBA's mission of consumer protection. Below is an overview of the legislation sponsored, tracked, and monitored by the CBA during the first year of the 2015-2016 legislative session.

*The following Assembly Bills (AB) and Senate Bills (SB) directly affecting the CBA were considered during the 2015 legislative year:*

#### ***AB 85***

This bill 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 or panel is a member of the larger state body, and the advisory committee is supported, in whole or in part, by state funds. The CBA took an Oppose position. If passed, this is an urgency measure that will take effect immediately upon signature by the Governor.

#### ***AB 507***

This bill would require DCA to submit an annual report to the Legislature that provides its implementation plan for the boards and bureaus in phase three of the BreZE computer system release. The CBA took a Support position. If passed, this is an urgency measure that will take effect immediately upon signature by the Governor.

#### ***AB 750***

This bill would authorize every board within DCA, to establish, by regulation, a system for a retired category license for persons who are not actively engaged in practice. The CBA took a Neutral position. This bill failed to pass 2015 legislative deadlines and may be considered in 2016. If passed, it will take effect January 1, 2017.

#### ***AB 1060***

This bill originally would have clarified how boards must transmit rehabilitation criteria to licensees. Specifically, by first class mail and by email if the board had an email address on file. The CBA took a Neutral position on this bill. It was later amended to no longer be relevant to the CBA, but rather to address cancer clinical trials. The CBA discontinued following this bill.

***AB 1351***

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. The CBA took a Watch position. If passed, it will take effect January 1, 2016.

***AB 1352***

This bill would require courts to allow certain defendants in cases involving deferred entries of judgment after January 1, 1997 to withdraw their guilty or nolo contendere pleas in order to avoid certain adverse consequences, including denial of a license or certificate. The CBA took a Watch position. If passed, it will take effect January 1, 2016.

***SB 8***

This bill would revise California's tax system to include taxes on information and services, including accounting and tax preparation fees. The CBA took a Watch position. This bill failed to pass 2015 legislative deadlines and may be considered in 2016. If passed, it will take effect January 1, 2017.

***SB 467***

This bill is the CBA's sunset review bill. It would extend the CBA's Sunset Review date from January 1, 2016 to January 1, 2020 and contains a CBA sponsored provision to allow the CBA to include permanent practice restrictions a part of a final disciplinary order. Additionally, it would transfer authority for approving pro-rata charges for the Department of Consumer Affairs (DCA) administrative expenses that are imposed upon boards and bureaus within DCA to the Legislature, rather than having those charges set by the Director of DCA with Department of Finance approval. It would also require that the Attorney General's (AG) Office submit an annual report to the Legislature, Governor, and DCA, beginning on January 1, 2018, that includes specified information on cases referred to the AG's Office by DCA boards and bureaus.

The CBA took a Support position on the CBA's Sunset Review extension, permanent practice restrictions, and the reporting requirement related to the AG's Office. If passed, it will take effect January 1, 2016.

***SB 799***

This was one of the Senate Business Professions and Economic Development Committee's omnibus bills and it contains two provisions requested by the CBA.

Further clarify the restoration requirements of a license placed in retired status to reference existing law that states that a canceled license may not be restored, renewed or reinstated.

For out-of-state license applicants, recast and strengthen the requirements regarding license status from "valid and unrevoked" to "current, active, and unrestricted." The proposed language clarifies that those authorized to practice with a practice privilege may use the CPA designation in California.

The CBA took a Support position. If passed, it will take effect January 1, 2016.

## LEGISLATIVE REPORTS

In fiscal year 2014-15, three major reports were submitted to the Legislature:

- Sunset Review Report
- Peer Review Report
- Practice Privilege Preliminary Determinations Report

### SUNSET REVIEW REPORT

Every four years, the Legislature performs its Sunset Review process on the CBA 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.

This process began with the CBA's 2014 Sunset Review Report, which was approved by the CBA at its September meeting, and answers a series of questions posed by the Legislature that will assist it in determining whether to extend the sunset date of the CBA. This report was submitted to the Legislature in October 2014.

In March 2015, the Legislature responded to the CBA's Sunset Review Report in a Background Paper on the CBA for the Senate Business, Professions and Economic Development (Senate BP&ED) and Assembly Business and Professions Committees (Assembly B&P), collectively "Committees" during their joint review of the CBA.

On March 18, 2015, Vice-President Katrina Salazar and Executive Officer Patti Bowers testified before the Committees to discuss key issues and speak to the value of the CBA in protecting California consumers.

Following this important legislative hearing, the CBA submitted its Response to Issues Raised in the Background Paper

The CBA received positive feedback during the Sunset Review hearing and during the Assembly B&P Committee hearing, the CBA received accolades from the Chair regarding its performance as a board.

There is a dedicated Sunset Review activity section on the CBA website (<http://www.dca.ca.gov/cba/index.shtml>) which includes the CBA's 2014 Sunset Review Report, the Legislature's Sunset Review Background Paper, and the CBA's Response to Issues Raised in the Background Paper.

### PEER REVIEW REPORT

The Peer Review Report was approved by the CBA in November 2014 and submitted to the Legislature in December 2014. This report provided the Legislature with specific information it requested in Business and Professions Code section 5076 detailing the implementation of mandatory peer review. The report also contains an overview of all activities relating to peer review, including

statistics that will aid the Legislature during its evaluation. Based on the report, the Legislature may make changes to the program, as it deems necessary.

The Peer Review Report is available on the CBA website at [http://www.dca.ca.gov/cba/publications/peer\\_review\\_2015.pdf](http://www.dca.ca.gov/cba/publications/peer_review_2015.pdf)

#### PRACTICE PRIVILEGE PRELIMINARY DETERMINATIONS REPORT

The Practice Privilege Preliminary Determinations Report was presented to the CBA in March 2015 and was later finalized and approved at its May 2015 meeting for submission to the Legislature. This report provides the Legislature with the information that will be used by the CBA when it makes its determinations as to whether allowing a particular state's licensees to practice in California under a practice privilege violates its duty to protect the public.

The Practice Privilege Preliminary Determinations Report is available on the CBA website at <http://www.dca.ca.gov/cba/publications/pp-determinations-rpt.pdf>

The Practice Privilege Final Report is due to the Legislature on January 1, 2018.



## REGULATIONS

*The following regulations were in progress in FY 2014-15.*

### ***Disciplinary Guidelines and Model Orders***

This regulatory proposal provides CBA staff and Administrative Law Judges updated Disciplinary Guidelines and Model Orders, including factors to be considered in aggravation and mitigation; standard probationary terms; and guidelines for specific offenses. The guidelines for specific offenses are referenced to the statutory and regulatory provisions violated. *(Approved July 2015)*

### ***Practice Privilege Notification of Pending Criminal Charges Form***

The regulatory proposal incorporates a Practice Privilege Notification of Pending Criminal Charges Form. This form is required to be completed by individuals practicing in California under a practice privilege who attain pending criminal charges. The form must be submitted to the CBA within 30 days and may be used to initiate an investigation regarding the criminal charges. The CBA will use the information obtained during the investigation to determine whether continuation of practice rights will ensure consumer protection. *(Approved July 2015)*

### ***Continuing Education***

This regulatory proposal modified the timeframe in which experience can be obtained for CPA licensure applicants whose experience was obtained five or more years prior to application and for reissuance of a cancelled license. *(Approved August 2015)*

### ***Experience in Academia***

This regulatory proposal would establish guidelines for experience in academia to qualify as general accounting experience for licensure as authorized by Business and Professions Code section 5093(d)(3). Specifically, this regulatory proposal would equate 48 semester units of instruction, or its equivalent in quarter units, to one year of general accounting experience.

### ***Fee Increase***

This regulatory proposal would restore initial permit and biennial renewal fees to \$200, bringing revenues and expenditures more closely aligned and increasing the CBA's Reserve to provide sufficient resources to protect California consumers through its licensing, regulatory and disciplinary functions.



## OUTREACH, SOCIAL MEDIA, AND STAKEHOLDER CONTACT

### PRESENTATIONS AND SPEAKING ENGAGEMENTS

CBA Leadership and management participated in several outreach events during FY 2014-15. These events provided a platform to share the consumer protection mission of the CBA, discuss the CBA's structure, and provide information regarding the requirements for examination, licensure, and license renewal.

The CBA was fortunate to have partners in these endeavors including the California Society of CPAs (CalCPA); CalCPA Accounting Educator's Committee; University of California at San Diego; University of California at Berkeley; University of San Francisco; California State University, Fullerton; and Cosumnes River College.

Many of the events were webcast to reach a broader audience and provided an opportunity for participants to ask questions remotely. All the webcast events have subsequently been archived on the CBA website for viewing. To assist attendees at each event, a wide variety of materials were brought as a reference, including handbooks on applying for the Uniform CPA Examination (CPA Exam) and applying for CPA licensure; tip sheets on educational and experience requirements, and an overview of requirements for license renewal.

Below is an overview of the outreach events and speaking engagements that the CBA participated in:

#### ***September 2014***

##### University of San Diego

The CBA/CalCPA joint outreach event, "So You Want to Be a CPA" was held September 17, 2014 on the campus of the University of San Diego. Immediate past President Michael Savoy, CPA; Executive Officer Patti Bowers; and members of CBA management provided a presentation that walked students through the process of becoming a CPA. Mr. Savoy also provided insight regarding his professional career and what first motivated him to enter the accounting profession. The event was attended by approximately 70 students and an additional 180 participated via the webcast. Following the event, attendees had the opportunity to ask individual questions with CBA staff and were provided contact information for follow up questions.

**So, You Want to Be a CPA?  
September 17, 2014  
University of San Diego**



*Pictured from left:  
Ben Bower, CPA  
Patti Bowers, CBA Executive Officer  
Michael M. Savoy, CPA, Past President of the CBA  
Tiffany Vo, CPA*

#### ***November 2014***

##### University of San Francisco

Former Licensing Chief, Dominic Franzella, provided a presentation to approximately 100 students at the University of San Francisco. The primary focus was to explain the 150 semester hour educational requirement to assist those who were seeking CPA licensure. Following the presentation, students had the opportunity to ask specific questions regarding their individual situation. Additionally, faculty and the Dean had an opportunity to meet with Mr. Franzella who provided additional information and answer their specific questions.

## ***December 2014***

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### **California State University at Sacramento**

Initial Licensing Unit Manager Veronica Daniel and Examination Unit Coordinator Suzanne Gracia attended the CalCPA Sacramento Chapter Student Outreach Luncheon at the Sacramento State Alumni Center. Approximately 60 students attended the event. The primary focus of the presentation was to provide information and answer questions regarding the CPA Exam and CPA licensure requirements.

## ***January 2015***

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### **California State University at Fullerton**

Examination and Practice Privilege Manager, Matthew Stanley, and Initial Licensing Unit Manager, Veronica Daniel, provided information and answered questions regarding the Uniform CPA Examination and the new education requirements for CPA licensure to approximately 60 accounting faculty from the California State University at Fullerton and others from surrounding junior colleges. The focus was on how faculty can assist students with the additional 30 semester units required for CPA licensure. This valued opportunity was provided at the invitation of CBA member Sally Anderson.

## ***April 2015***

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### **University of California at Berkeley**

The CBA/CalCPA joint outreach event, “So You Want to Be a CPA” was held April 7, 2015 at the University of California at Berkeley, Haas School of Business. CBA President Jose Campos, CPA, along with Executive Officer Patti Bowers, and CBA management conducted a presentation which walked students through the process of becoming a CPA. President Campos and CalCPA East Bay Chapter Board Member Wilbur Chan shared information and provided insights about what it is like to be a CPA. Approximately 60 students attended the live audience presentation and 346 students participated via a live webinar. CBA staff had the opportunity to speak directly with students and answer individual questions.

## **So, You Want to Be a CPA? April 7, 2015 – University of California at Berkeley**



*Pictured from left:  
Jose A. Campos, CPA, CBA President  
Patti Bowers, CBA Executive Officer  
David Lo, Strategic Relations Manager, CalCPA Institute  
Jose M. Plehn-Dujowich, Ph.D., Executive Director and Professor, Center  
for Financial Reporting & Management, University of California at Berkeley  
Wilbur Chan, CalCPA East Bay Chapter Board Member*



*Pictured from left:  
Jose A. Campos, CPA, CBA President  
Veronica Daniel, Initial Licensing Unit Manager  
Matthew Stanley, Examination and Practice Privilege Unit Manager  
Gina Sanchez, Licensing Division Chief*

### CalCPA's Accounting Education Committee Meeting

CBA management was invited to participate in a meeting with the CalCPA's Accounting Education Committee. This event provided an open forum for the approximately 24 members of the committee (including educators and representatives of large accounting firms) to ask questions regarding the CPA licensure process relating to education and experience.

### CalCPA's Government Relations Committee

CBA Executive Officer was invited by CalCPA's Government Relations Committee to provide an update regarding CBA activities. During the meeting, which was attended by approximately 25 committee members, an update was provided on Sunset Review, fee restoration, and the Attest Study.

## **June 2015**

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### NASBA Western Regional

President Jose Campos, CPA, provided two presentations during the National Association of State Boards of Accountancy (NASBA) Western Regional Meeting, which was held in Coronado, California. The primary presentation focused on welcoming the jurisdictions to California and provided highlights regarding CBA activities and projects. Additionally, President Campos provided a presentation on the CBA's Communication and Outreach successes, including the use of social media and leveraging other emerging technologies to deliver focused messages regarding the CBA.

## **NASBA Western Regional Meeting June 17-19, 2015 – Coronado, California**



*Ken Bishop, NASBA President and Chief Executive Officer*



*CBA President Jose A. Campos, CPA, providing welcoming comments at the NASBA Western Regional Meeting.*



*Robert Lee, CPA, Chair, Peer Review Oversight Committee*



*Patti Bowers, CBA Executive Officer, receiving materials for the NASBA Western Regional Meeting.*

## CBA PUBLICATIONS

### Consumer Assistance Booklet

The Consumer Assistance Booklet is available on the CBA website as a resource to consumers in selecting a CPA and includes tips on selecting a CPA including:

- Get Recommendations from family and friends on CPAs
- Verify the CPA's license is valid and active via the License Lookup feature on the CBA website
- Meet the CPA and ensure it is a good match and they offer the services that are needed
- Obtain an Engagement Letter before any work is initiated

Throughout the year, the CBA provided its Consumer Assistance Booklet for distribution at the Free Income Tax Preparation and Family Resource Fairs held across the state. The fairs are part of the Volunteer Income Tax Assistance (VITA) program, but also provided consumer education and assistance to attendees.

### UPDATE Newsletter

The CBA issues a triennial newsletter publication, UPDATE, that contains informative articles that are of interest to consumers, applicants, licensees and other stakeholders. The articles, prepared by staff, are often proactive efforts in addressing feedback received via the stakeholder satisfaction survey and in response to objectives identified in the Strategic Plan regarding educating licensees. Beginning in 2015, staff worked with the Department of Consumer Affairs to redesign the look and format of UPDATE to further enhance its readability.

The UPDATE newsletter is mailed to over 80,000 licensees and maintained on the CBA website. Social media is used to announce the availability of the newsletter, in addition to sending an email to individuals who have signed up for notifications via E-news. Over the course of the year, important information was shared to keep consumers, licensees, applicants, and other stakeholders informed of important topics relating to the accounting profession, including:

- Military Licensee Options
- Retired Status
- CBA Budget Details
- CBA Stakeholder Survey
- Study on Attest Experience
- Continuing Education Requirements
- California's Mobility Law
- Academia Experience
- New Financial Planning Services Standards in effect July 1, 2014
- Removing Client File from an Accounting Firm
- Enforcement Process
- Become a Peer Reviewer
- Unregistered Accountancy Corporations

As part of the CBA's outreach partnership with the State Controller's Office (SCO) the Winter 2015 edition of UPDATE featured an article submitted by the SCO regarding how CPAs can help clients meet unclaimed property reporting requirements.

## SOCIAL MEDIA

The CBA continued to leverage emerging technologies to deliver key messages. The CBA has seen a positive following of its social media, including Facebook, Twitter, LinkedIn, and Pinterest. CBA tweets have been recognized several times by the organization California Government Tweets as being among the most successful by a California government agency by virtue of link visits, re-tweets and engagement.

In 2015-16, the CBA will be relying on Social Media to deliver information about the Study of the Attest Experience requirement, as well as the ending of prior educational pathways for CPA licensure.

The following represents the population on the CBA's social media platforms:

- Facebook – 3,010 fans
- LinkedIn – 1,300 direct connections
- Twitter – 1,661 followers
- Pinterest – The CBA maintains five boards on Pinterest: “On Your Way to CPA,” “Tax Bracket,” “Consumer Wise,” “CBA Favorites,” and “Women Making a Difference.”

## COMMUNICATION WITH STAKEHOLDERS

The CBA utilizes an email notification service – E-News – that allows interested persons to subscribe to receive notifications regarding one or more areas of interest, including:

- Consumer Interest
- Examination Applicant
- Licensing Applicant
- California Licensee
- Out-of-State Licensee
- Statutory/Regulatory
- CBA Meeting Information and Agenda Materials
- Update Publication

When information is posted on the CBA website, an email is sent to the subscriber with a notification message and direct link on where to access the information. The following provides information on the number of subscribers who presently participate in the E-News service:

<b>E-News Subscriptions</b>	<b>External</b>	<b>Internal</b>	<b>Total</b>
Consumer Interest	4,498	64	4,562
Examination Applicant	2,939	49	2,988
Licensing Applicant	3,577	54	3,631
California Licensee	9,618	60	9,678
Out-Of-State Licensee	2,356	54	2,410
Statutory/Regulatory	7,774	70	7,844
CBA Meeting Information & Agenda Materials	3,682	51	3,733
Update Publication	7,383	33	7,416
<b>Total Subscriptions</b>	<b>41,827</b>	<b>435</b>	<b>42,262</b>
<b>Total Subscribers</b>	<b>13,202</b>	<b>83</b>	<b>13,285</b>



## CBA AND COMMITTEE ACTIVITIES

### APPOINTMENTS

During fiscal year 2014-15, Governor Edmund G. Brown Jr. (Governor Brown) appointed Michael Savoy, CPA, Kathleen Wright, CPA, and Jian Ou-Yang, CPA to the CBA. In July 2015, Governor Brown appointed Deidre Robinson to the CBA. In addition to Governor Brown's appointments, Alicia Berhow was reappointed to the CBA by the Speaker of the Assembly and Xochitl León was appointed to the CBA by the Senate Rules Committee.

For the second year, in July 2015, members had the opportunity to meet with representatives from the Governor's Office. This provided a valuable opportunity for members to share their appreciation regarding their service on the CBA and their role in giving back to the CPA profession.

### REAPPOINTMENTS

The CBA consists of four statutory committees, including the Enforcement Advisory Committee, Peer Review Oversight Committee, Qualifications Committee, and the Mobility Stakeholder Group. The CBA is responsible for appointing and reappointing committee members to the CBA statutory committees. Each member serves for a two-year term and may serve for a maximum of eight years.

Prior to each appointment, the CBA Vice-President recommends committee appointments and reappointments. As all statutory committees, with the exception of the Mobility Stakeholder Group, are comprised of licensees, the CBA Vice-President performs a compliance check, which verifies that the potential appointee has met the appropriate requirements for license renewal and confirms that there are no pending enforcement actions. For members that are seeking reappointment, in addition to completing a compliance check, all mandatory training must be completed. Further, the member's attendance records and performance evaluations are reviewed.

In FY 2014-15, the CBA appointed eight new members and reappointed an additional eight members to the CBA committees.

### CBA LEADERSHIP AND COMMITTEE CHAIRS

Each November, the CBA elects new CBA and committee leadership, including a CBA President, Vice-President, Secretary, and committee chairs and vice-chairs. Members interested in serving in a leadership capacity submit a Statement of Qualifications and a resume or curriculum vitae to the CBA for review. Members serving in a leadership role are responsible for carrying out the mission of the CBA and ensuring the CBA and committees adhere to all statutory and regulatory requirements.

Shortly after the election of CBA leadership, a meeting is coordinated by staff to discuss priorities for the upcoming year, review annual meeting topics, overview activities involving CBA leadership, and receive guidance regarding CBA leadership goals, priorities and discussion topics.

## SUPPORT ACTIVITIES

Staff continues to serve the CBA and CBA committees by facilitating all aspects of the CBA and committee meetings.

At the start of each year, staff coordinates a new committee leadership orientation with new chairs and vice chairs and CBA leadership, senior management, and Department of Consumer Affairs Legal Counsel. The meeting assists the new leaders in understanding their role in conducting meetings. CBA leadership opens the meeting by providing their expectations and then additional topics are covered, including roll call, establishing a quorum, voting, open and closed session, minutes, and public comment.

To assist new CBA liaisons and new member appointees to CBA statutory committees, staff coordinates an orientation meeting. The orientation, which includes committee leadership, provides an overview of the purpose of the committee, the member's role, participation by the CBA liaison, and an overview of a committee meeting. Additional information regarding the member's mandatory training requirements is also discussed as well as annual reporting requirements and personnel and travel information.

To assist chairs of both the CBA committees and statutory committees, staff conducts pre-meeting calls to go over agenda materials and answer any questions. Further, talking points are prepared by staff to assist chairs when presenting an agenda item or when providing their committee report to the CBA. Staff also prepares talking points for CBA liaisons to assist in their report during the various committee meetings.



*CBA Member Diana Bell's Retirement Dinner – November 2014*

## ADMINISTRATION DIVISION

The Administration Division is responsible for all CBA day-to-day business operations. Many of the activities and functions that are identified in this report involve some component of Administration whether it's budgets, contracts, business services, personnel, front-counter reception duties, or answering consumer inquiries. Below is an overview of services performed by the Administration Division:

### ***Budget Reporting and Monitoring***

The budget is monitored internally by staff and reports are provided to management consistently throughout the month and to members throughout the year at CBA meetings. The CBA's budget for fiscal year (FY) 2014-15 was \$13.7 million. The CBA ended the fiscal year with a reversion of approximately \$600,000, while still ensuring sufficient funding was in place to cover regular operating and costs to relocate, including furniture, equipment, and preliminary moving expenses.

### ***Cashiering and Mailroom***

Licensees, applicants for licensure, consumers, state agencies, and other stakeholders submit applications and/or other documents along with their accompanying fee(s) to the CBA in order to apply for the Uniform CPA Examination, renew a license or registration, request initial licensure (individual and firms), as well as submit payments for penalties, fines, and reimbursements to the CBA Enforcement Division to recover costs associated with litigating cases. Approximately 40,000 applications and other miscellaneous items and fees (fingerprint cards, certification requests, and duplicate license requests) are received in the mailroom annually. The monies for these various items, totaling approximately \$5 million, are received in the mailroom and then subsequently processed by the cashiering unit.

Staff has proactively worked with the Department of Consumer Affairs Internal Audits office to improve processes and procedures in the cashiering and mailroom units. Procedure manuals were updated and additional staff was recruited to assist in the processing of mail and monies received at the CBA.

### ***Contracts***

The CBA utilizes goods and services from many vendors to provide support to the three Divisions making up the CBA. These goods and services are also necessary to maintain the day to day business operations of the CBA. With the exception of routine office supplies, these vendors can only be utilized after a contract has been established. This entails research, bid requests, cost justification, and overseeing contract execution and fulfillment. Staff ensure that policies, procedures, and guidelines found in the State Contracting Manual and that are used by the Department of Consumer Affairs are being followed to promote sound business decisions and practices in securing the necessary goods and services for operating the CBA. Staff executed 19 contracts during FY 2014-15.

### ***Business Services/ Facilities***

All Business Services and facility-related issues are handled within the Administration Division. These functions include the ordering office supplies, furniture, paper and toner, records management, property and asset management, and participating in the Small Business and Disabled Veteran Business Enterprise programs. In addition, staff worked with DCA Facilities and Planning Unit and the Department of General Services-Real Estate Services Division to coordinate space planning and leasing activities as well as to address building/office maintenance and lease management issues.

During FY 2014-15, staff coordinated updates and revisions to the CBA Emergency Operation Plans, including the CBA's Emergency Preparedness and Evacuation Plan, Business Continuity Plan, and Technology Recovery Plan. The staff also coordinated meetings of the Emergency Response Team, conducted training on building evacuation procedures and proper evacuation routes, coordinated evacuation drills, and implemented a monthly health and safety newsletter.

### ***Personnel and Travel***

Administrative Division staff serve in a customer service role for CBA staff, CBA management, and CBA and Committee members in assisting with personnel and travel-related issues. Understanding the various nuances of state personnel policies and state travel guidelines is key to requesting successful staffing augmentations as well as obtaining travel approval, coordinating travel arrangements, and rendering assistance with the reimbursement of travel expenses.

### ***Information Technology***

With a growing need for automation and access to relevant information via the Internet, the CBA Information Technology (IT) staff work proactively on ways to make information readily available to staff, stakeholders, and the public. It is their commitment to excellence that assists CBA staff in using technology to streamline and improve functionality and increase productivity. Further, IT staff have proposed and made significant enhancements to the CBA meeting webcasts, including the option of watching the webcasts via tablet and mobile devices.

DCA recently made a commitment to the CBA regarding exploration of an alternative database system that will allow on-line functionality, including the ability for credit card payments. It is anticipated that preliminary discussions regarding such system will be held later this year.

## **PROGRAM ENHANCEMENTS**

During FY 2014-15, the Administration Division made positive enhancements that will benefit CBA stakeholders and staff, including:

- Created an intranet website called "Grow Your Career" for staff to access information on upward mobility. The "one stop shop" website provides job classification descriptions, sample interview questions, tips on interviewing, and links to available positions.
- Enhanced cashiering procedures by working with the DCA Internal Audit Office on updating procedure manuals to ensure CBA monies are processed and stored securely and in accordance with established guidelines.
- Increased staffing in the CBA mailroom and cashiering office to address the large volume of mail and monies that are received and processed.
- Initiated a monthly health and safety email/newsletter for staff.
- Implemented quarterly meetings for the Emergency Response Team to discuss roles and responsibilities in the event of an emergency.
- Initiated a review and update of all CBA policies and procedures to determine accuracy, relevance, and necessity.
- Created an intranet website called "The Move" for staff to access the most recent information regarding the CBA relocation.
- Updated the design of the CBA's UPDATE publication.
- Secured a contract to relocate the CBA headquarters office. The new facility will have meeting room space to accommodate Northern California CBA and Committee meetings.

## ENFORCEMENT

The Enforcement Division's primary responsibility is to oversee the enforcement of California laws and rules governing the practice of public accountancy. It does this by:

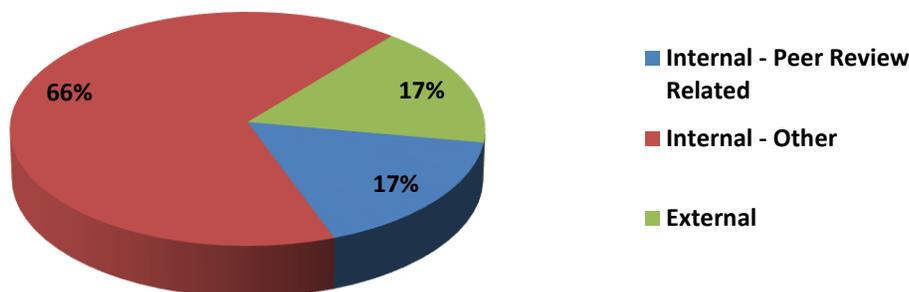
- Conducting complex investigations regarding practice issues that require the expertise of a licensed CPA
- Conducting investigations for administrative violations and unlicensed activity
- Issuing citations and fines for violations that do not rise to the level of discipline
- Filing accusations and imposing discipline
- Assigning and monitoring referrals to the Attorney General's (AG's) Office
- Monitoring licensees on probation
- Monitoring compliance with the mandatory peer review program

## COMPLAINTS

Staff receives complaints from consumers, licensees, professional societies, law enforcement agencies, other government agencies and internal referrals. Also, enforcement staff regularly monitors social media outlets for information that may suggest licensees' violations of the California Accountancy Act and CBA Regulations. While historically consumers have been the main origin of complaints, over the past few years the Enforcement Division has experienced an increase in the number of complaints being opened as a result of internal referrals. Much of the increase being realized in CBA Enforcement 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).

In fiscal year (FY) 2014-15, the CBA received 2,702 complaints.

### Complaints Fiscal Year 2014-15



Over 50 percent or 998 of the internal complaints originated from the CBA Licensing Division during FY 2014-15. These range from various licensing renewal related deficiencies, including CE, unlicensed accounting firms, and potential discrepancies in peer review reporting that may indicate the licensee was required to undergo and complete a peer review.

## INVESTIGATIONS

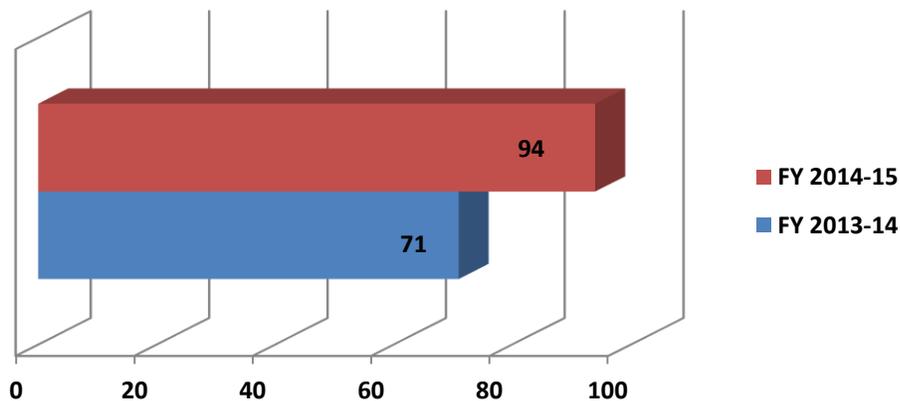
Approximately 72 percent, or 1,953, of the 2,702 complaints received were assigned for investigation during FY 2014-15. The number of cases assigned for investigation is down from prior years. The reduced investigations relates to a higher volume of closed matters prior to assignment in the newly established Criminal Offender Record Information (CORI) Unit. The CORI Unit has received a high volume of initial cases, but upon review is quickly able to assess the information so as to make a determination of whether the matter warrants assignment for investigation.

Investigations	
Assigned for Investigation	1,953
Investigations Closed	1,773
Average Days to Close	167

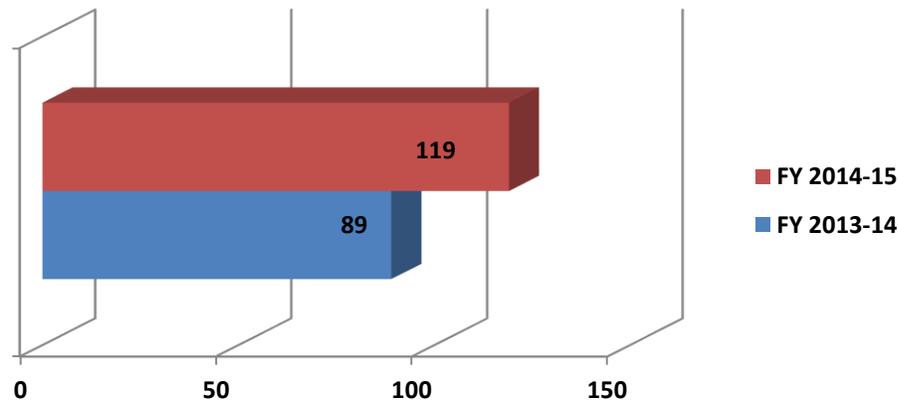
## DISCIPLINARY ACTIONS

The CBA works to fulfill its consumer protection mandate by referrals of matters to the AG's Office, imposition of discipline, and issuance of citations. The number of referrals to the AG's Office increased considerably from 71 in FY 2013-14 to 91 in FY 2014-15. The number of cases pending at the AG's Office also has increased from 89 to 119.

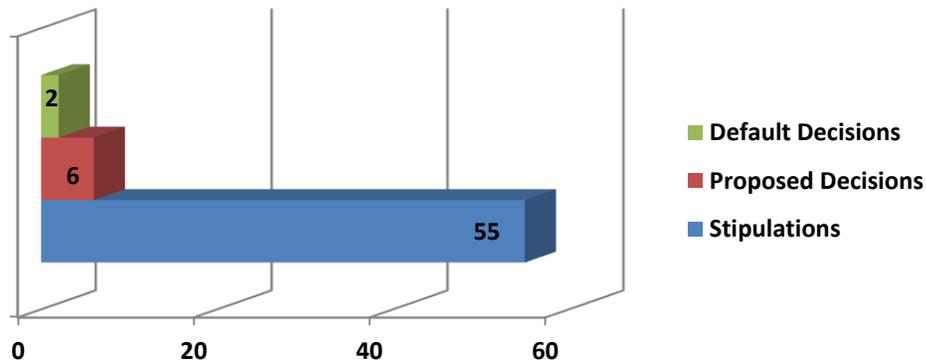
### Referrals to the Attorney General's Office



## Cases Pending at the Attorney General's Office



## Disciplinary Orders



The CBA realized a significant increase in the total number of disciplinary orders. For FY 2014-15 the CBA took action on 63 matters. This represents an 85 percent increase over FY 2013-14 when the CBA took action on 34 matters. Staff anticipate maintaining or increasing this level over the coming year with the high volume of pending matters presently at the AG's Office.

### CITATIONS

The CBA uses its citation and fine authority for violations that do not rise to the level of discipline and as a mechanism to gain compliance from licensees. Over the past three fiscal years, the CBA saw a marked rise in the number of citations issued. The majority of the increase in the issuance of citations was related to licensees failing to respond to CBA letters requesting the filing of the Peer Review Reporting Form. Licensees that failed to respond to the CBA were issued a citation and fine of \$250.<sup>1</sup>

<sup>1</sup> The CBA established an initial three-year phase-in period for reporting of peer review information. The phase-in period began July 1, 2011 and continued through July 1, 2013. Licensees were segmented into three groups based on the last two digits of the license numbers, with licenses ending in 01-33 required to report on or before July 1, 2011, licenses ending 34-66 required to report on or before July 1, 2012, and licenses ending in 67-99 required to report on or before July 1, 2013.

Of the 1,522 citations issued in FY 2013-14, 1,481 were issued as a result of failing to respond to letters requesting the filing of the initial Peer Review Reporting Form.

With the conclusion of the phase-in period of mandatory peer review reporting complete, and with licensees now reporting peer review information at the time of license renewal beginning January 1, 2014, the CBA is no longer issuing citations for failing to report initial peer review information. As a result, the total number of citations decreased from 1,522 in FY 2013-14 to 348 in FY 2014-15. However, if one removes the initial peer review reporting citations from the FY 2013-14 totals and compares the remaining citations issued in FY 2013-14 to the citations issued in FY 2014-15, the volume increased by almost 750 percent (41 to 348).

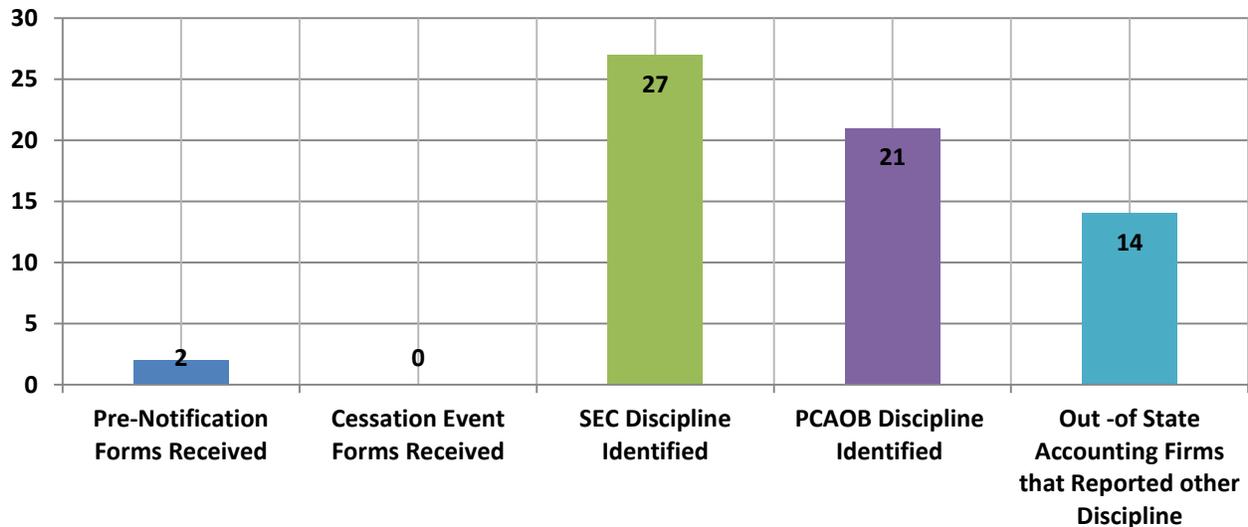
The top three violations for which the CBA issued the 348 citations include:

- Continuing Education Rules (*CBA Regulations section 87*)
- Response to CBA inquiry (*CBA Regulations section 52*)
- Name of Firm (*BPC section 5060*)

**PRACTICE PRIVILEGE REPORTING**

Effective July 1, 2013, the CBA implemented a no notice, no fee practice privilege model in California. The table below depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms and Notification of Cessation Event Forms for FY 2014-15.

**Practice Privilege**



## PROBATION

When a licensee is disciplined and the CPA license is placed on probation for a designated period of time, staff monitor the licensee to ensure s/he adheres to all conditions or probation contained in his/her disciplinary order. Should the licensee deviate from the probationary terms in the disciplinary order, staff refer the matter to the AG's Office for preparation of a petition to revoke probation carrying out the disciplinary order that was stayed. If the licensee complies with all terms of probation, his/her license is fully restored at the end of the probationary period.

Probation monitoring is a vital and important program. It allows the CBA to discipline a licensee without full revocation or suspension of a license. While the licensee is on probation, staff have the ability to monitor his/her compliance with all probationary terms and rehabilitation. Probation monitoring is essential to assist the CBA in achieving the mission of protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

A new step added to the overall probation process that started in FY 2014-15 was the assignment of 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 CE. 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.
- 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.

Over the past several years, the CBA has seen an increase in the total number of licensees on probation. The CBA ended FY 2014-15 with 95 licensees on probation. This is a 34 percent increase from the prior fiscal year (71). During FY 2014-15, one Petition to Revoke Probation was filed.

## CRIMINAL OFFENDER RECORD INFORMATION

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.

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.

The CBA estimated that there were about 47,000 that had not been fingerprinted as part of the requirement to obtain licensure. Of this group, the CBA estimated 28,000 licensees would need to complete the CORI process as part of an active license renewal. To aid in this increased workload, the CBA requested nine staff (including a manager, analysts, and clerical support) to implement the retroactive fingerprint requirement (all of which are limited term, set to expire either June 30, 2016 or June 30, 2017).

The CORI Unit is responsible for:

- sending notification letters informing select licensees of the requirement to submit fingerprints
- updating records to reflect CORI completion
- auditing notified licensees to ensure fingerprints were submitted
- reviewing and investigating convictions resulting from CORI
- referring matters to the AG’s Office

<b>CORI FINGERPRINTS</b>	<b>FY 2014/15</b>
<b>Notification Letters Sent</b>	<b>19,715</b>
<b>CORI Compliances Received</b>	<b>11,972</b>
<b>Non-Compliance Notifications Sent</b>	<b>742</b>

<b>CORI ENFORCEMENT CASES</b>	<b>FY 2014/15</b>
<b>Received</b>	<b>624</b>
<b>Assigned for Investigation</b>	<b>185</b>
<b>Closed – No Action</b>	<b>439</b>
<b>Non-Compliance Citation and Fine Issued</b>	<b>44</b>
<b>Referred to the Attorney General’s Office</b>	<b>14</b>

## ENFORCEMENT COMMITTEES

### ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE

The Enforcement Program Oversight Committee (EPOC) assists the CBA in the consideration of issues relating to the Enforcement Program. During FY 2014-15, the EPOC met three times and discussed the following issues:

- Consideration of whether to propose the CBA sponsor legislation to allow the CBA to restrict a license outside of probation
- Discussion on the CBA's provisions for language assistance (used during the investigatory and adjudicative processes)
- Discussion on compelling physical or mental health evaluations of licensees or applicants

### ENFORCEMENT ADVISORY COMMITTEE

The Enforcement Advisory Committee (EAC) assists the CBA Enforcement Division in an advisory capacity by providing technical expertise and assistance with investigations. During FY 2014-15, the EAC met five times and assisted with 24 Investigative Hearings and provided guidance and direction on 29 open investigations. The EAC also reviewed 46 closed investigations. During this process, the EAC member reviews the closed case file and assesses whether s/he concurs with staff's closure.

### PEER REVIEW OVERSIGHT COMMITTEE

The Peer Review Oversight Committee (PROC) provides recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

During FY 2014-15, the PROC met four times. In addition, the PROC conduct several oversight activities outside of its regularly scheduled meetings including:

- Conducting a site visit of the California Society of CPA's (CalCPA) Peer Review Program
- Participating in CalCPA Peer Review Committee meetings
- Participating in CalCPA Report Acceptance Body meetings
- Participating in American Institute of CPAs (AICPA) Peer Review Committee meetings.

In March 2015, the PROC provided its fourth Annual Report to the CBA on the results of its oversight. The PROC also discussed highlights and issues during the year, including:

- Discussed and reviewed the AICPA Exposure Draft for Standards for Accounting and Review Services
- Continued discussion regarding the AICPA peer review recall process related to accounting firms that performed annual audits of employee retirement income security act
- Discussed and provided feedback on the CBA's draft Peer Review Report to the Legislature

## PERFORMANCE MEASURES

Beginning in 2010, as part of its Consumer Protection Enforcement Initiative, the Department of Consumer Affairs began posting on its website Performance Measures for each board and bureau within the department. Below are the CBA's FY 2014-15 Performance Measures.

Performance Measure	Target	Result
<b>Number of Complaints and Convictions Received</b>	N/A	2,702
<b>Average Cycle Time from Complaint Receipt, to the Date the Complaint was Assigned to an Investigator</b>	10 days	4 days
<b>Average Cycle Time from Complaint Receipt to Closure of the Investigation Process. (Does not include cases sent to the AG's Office or other forms of formal discipline.)</b>	180 days	148 days
<b>Average Number of Days to Complete the Entire Enforcement Process for Cases Resulting in Formal Discipline. (Includes intake and investigation by the CBA and prosecution by the AG's Office)</b>	540 days	895 days
<b>Average Number of Days from Monitor Assignment, to the Date the Monitor Makes First Contact with the Probationer.</b>	5 days	2 days
<b>Average Number of Days from the Date a Violation of Probation is Reported, to the Date the Assigned Monitor Initiates Appropriate Action</b>	15 days	3 days

Since the inception of the Performance Measures, the CBA has met all of the established timeframes, with the exception of the Performance Measure associated with Formal Discipline. For FY 2014-15, the CBA's average number of days for the Formal Discipline Performance Measure was 895 days. The CBA realized an increase when compared to last fiscal year, 895 from 813, for a total of 82 days.

The primary reason for this increase relates to the CBA taking final action on older cases. The Performance Measure associated with Formal Discipline 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 Performance Measure.

Staff is committed to continuing to identify program and operational efficiencies, both internally and externally, to reduce this timeframe. The following section, Program Enhancements, includes detailed information on steps the Enforcement Division has taken and will continue taking to improve overall efficiencies.

## PROGRAM ENHANCEMENTS

Over the past several years, the CBA has experienced a continued increase in case inventory. Staff have worked diligently to implement changes internally within the Enforcement Division to streamline workflow.

These efforts have included:

- Reorganized duties to use enforcement analysts to perform more investigation-related work. The expanded use of analytical staff has proven effective and allows the Investigative CPA's (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 Deputy Attorney General (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 Office of Administrative Hearings.

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 Division. These included ensuring vacancies were filled and additional positions were added as appropriate.

In FY 2013-14, the CBA submitted two budget change proposals 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, for FY 2014-15, the Enforcement Division 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 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 Division 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 prior

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.

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 augmentation of ICPAs, the total number went from seven to 15. Therefore, to increase necessary supervision and minimize obstructions in the review of investigations, CBA senior management reclassified one of the new ICPAs to a SICPA. As a result, the Enforcement Division now has two SICPAs, with each SICPA overseeing seven ICPAs.

Since receiving and on-boarding the new positions, the Enforcement Division have 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. Presently, 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 47,000 notices will be sent to licensees informing them that if they intend to renew active they must complete the fingerprint process. Of this group, the CBA estimates that 28,000 CBA licensees will be 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, 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 investigations to obtain an update and overview 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 Division management, allow for notification when requested items are due from licensees as part of an investigation, and simplification of generating routine and recurring reports.

## OTHER ENFORCEMENT ACTIVITIES

### *Administrative Penalties*

Pursuant to BPC section 5116, the CBA uses criteria to assess administrative penalties, including, but not limited to, actual and potential consumer harm, nature and severity of the violation, the role of the person in the violation, the person's ability to pay the administrative penalty and the level of administrative penalty necessary to deter future violations. The CBA issued Administrative penalties in FY 2014-15 totaling \$15,000.

### *Restitution*

The CBA considers restitution in all situations where a consumer is harmed and the amount of the ascertainable. In FY 2014-15, the CBA ordered restitution in the amount of \$30,000.

### *Interim Suspension Orders*

During FY 2014-15, the Enforcement Division was successful in issuing one PC 23 suspension order. These proactive enforcement measures provide immediate consumer protection by restricting a licensee from continuing to practice public accountancy.



## LICENSING DIVISION

The Licensing Division's primary charge is to regulate entry into the profession by ensuring that only those who are qualified are issued a license to practice public accountancy. It acts as a gatekeeper for the profession by ensuring:

- applicants meet education requirements prior to taking the Uniform CPA Examination (CPA Exam);
- applicants for licensure who have passed the CPA Exam meet the education and experience requirements necessary for licensure;
- accountancy partnerships and corporations are registered so they can offer services in California;
- licensees have paid the required fees and have completed the required CE hours to renew their license and demonstrate minimum competency
- out-of-state licensed accounting firms that intend to perform specified accounting services for entities headquartered in California meet the minimum registration requirements.

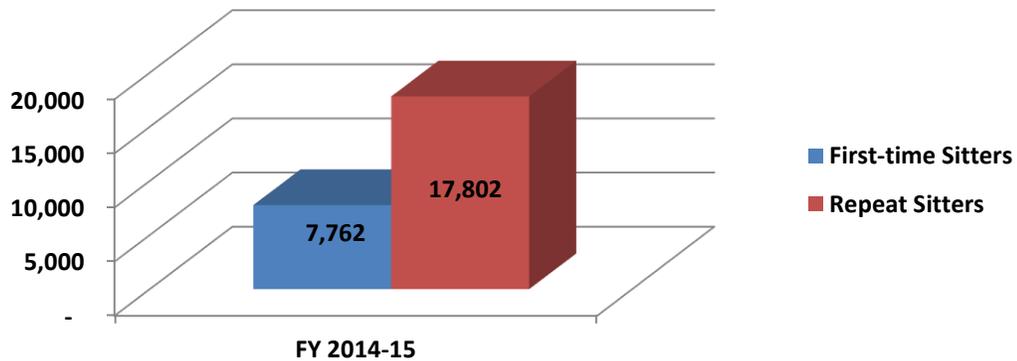
Although the main focus of the Licensing Division is to regulate entry into the profession, Licensing Division staff maintains an integral part of the enforcement process as well. A large number of enforcement complaints originate from within the Licensing Division, based upon information provided by the current or potential licensee. For instance, the Renewal and Continuing Competency Unit routinely refers complaints to the Enforcement Division related to licensees practicing with continuing education (CE) deficiencies and practicing with expired licenses.

## EXAMINATION

The CPA Exam is delivered to candidates through the collaborative efforts of the CBA, American Institute of Certified Public Accountants (AICPA), National Association of State Boards of Accountancy (NASBA), and Prometric. The CBA approves candidates to sit for the CPA Exam; AICPA develops the CPA Exam; NASBA maintains the candidate database and delivers scores; and Prometric provides the testing environment.

Completing the CPA Exam is a necessary step in becoming a licensed CPA. The CPA Exam tests candidates for entry level competence in the areas of Regulation, Auditing and Attestation, Business Environment and Concepts, and Financial Accounting Reporting. The CBA reviews official transcripts and foreign credential evaluations to determine whether examination candidates possess the minimum educational qualifications identified in Business and Professions Code (BPC) sections 5092 and 5093, which require a baccalaureate degree, 120 semester units, and 24 semester units each in accounting and business related subjects. The processing time frames to review applications for the CPA Exam are 30 days for first-time applicants and 10 days for repeat applicants.

## CPA Examination Activity



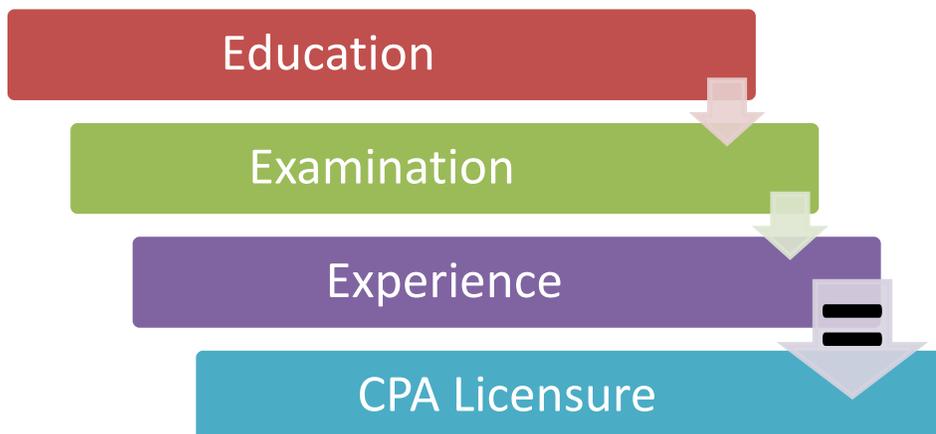
Candidates are allowed to make special requests such as extensions of time for scheduling a test and extensions of conditional credit. These requests are granted to those candidates who are able to provide documentation that they were prevented from testing due to death in the family, illness, natural disaster, non-issuance of a visa, or other good cause. Staff processed 181 such requests in an average of 30 days.

Candidates are also permitted to request special accommodations for the test. Requests for special accommodations are handled in accordance with the Americans with Disabilities Act and refer to any request for reasonable accommodation in testing conditions due to a medical need, disability, or both. Staff processed 182 requests for special accommodations in an average of 18 days.

### CPA LICENSURE

Upon completion of the “Three E’s” – Education, Examination, and Experience, a candidate may apply for CPA licensure. Applications are reviewed to ensure applicants have met the Three E’s and other requirements pursuant to the BPC and CBA Regulations, prior to licensure.

In addition to CPA licensure, applications are also processed for partnership and corporation licensure, and Fictitious Name Permits.



For fiscal year (FY) 2014-15, the CBA received 3,158 applications for CPA licensure and 484 accountancy partnership, corporation, and fictitious name permit applications.

<b>Applications Received</b>	
CPA	3,158
Corporations	272
Partnerships	92
Fictitious Name Permits <sup>2</sup>	120
<b>Total Applications</b>	<b>3,642</b>
<b>CPA Licenses Issued</b>	
Pathway 1 <sup>3</sup>	454
Pathway 2 <sup>3</sup>	1,241
Current Requirements	987
<b>Total Licensed</b>	<b>2,682</b>
<b>Firm Registrations Issued</b>	
Corporations	208
Partnerships	76
Fictitious Name Permits	87
<b>Total Registered</b>	<b>371</b>
<b>Average Processing Time</b>	
CPA Licenses	24 Days
Firm Registrations	16 Days

The Licensing Division is responsible processing requests for certification of CBA records. Although the majority of these requests are from California licensees or CPA examination candidates who are applying for licensure out-of-state, the CBA also receives requests from other interested parties. In FY 2014-15, 1,051 certification requests were received.

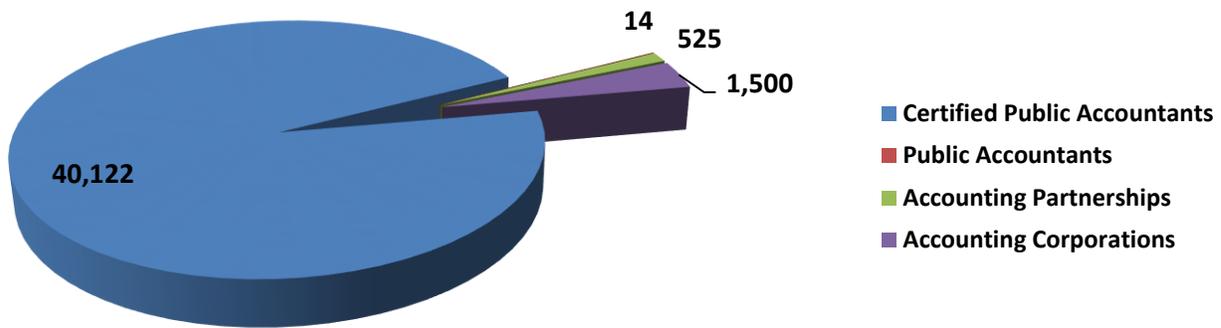
<sup>2</sup>A sole proprietor choosing to practice using a name other than the name under which the person holds a valid permit to practice issued by the CBA may only do so under a Fictitious Name Permit.

<sup>3</sup> Applicants that passed the Uniform CPA Examination on or before December 31, 2013 have the option to apply under Pathway 1 and 2 until December 31, 2015.

## LICENSE RENEWAL AND CONTINUING COMPETENCY

CPA and PA licensees are required to renew their licenses biennially, in conjunction with their birth month. For those licensees electing to renew their license in an active status, all renewal-related requirements must be met. Accountancy corporations and partnerships are also required to renew biennially, corresponding with their registration date with the CBA. Accounting firms must submit information pertaining to their shareholders or partners. Additionally, as of January 1, 2014, all corporations, partnerships, CPAs and PAs are required to report peer review information as a condition of license renewal.

### 42,161 License Renewal Applications Processed

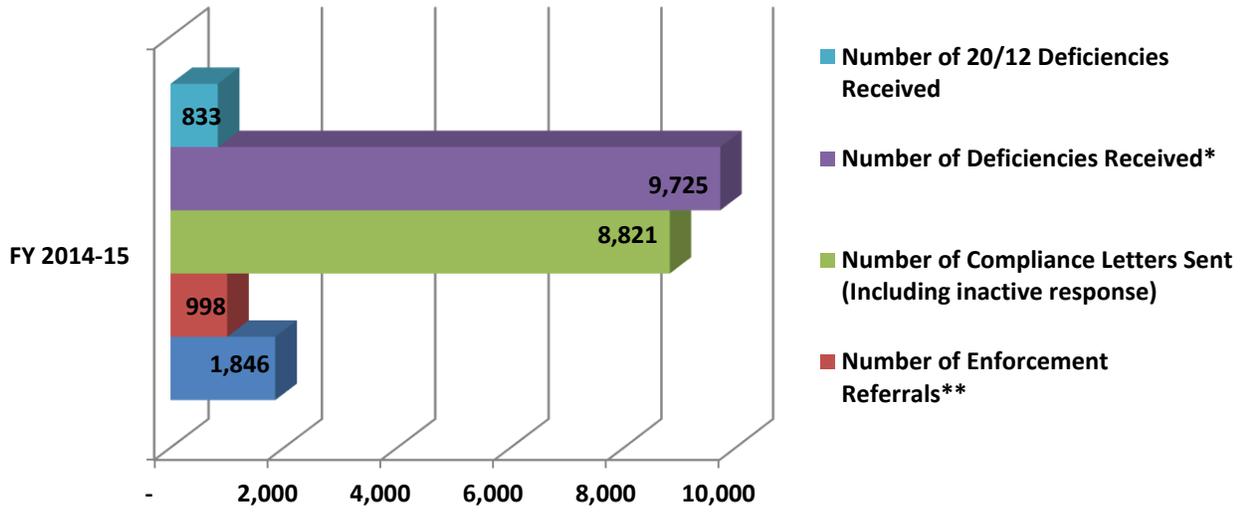


The biennial renewal fee was lowered for a two-year period; licenses expiring after June 30, 2014 will now pay a license renewal fee of \$50 rather than \$120 through the end of FY 2015-16. A delinquency fee of \$25 will be added to the total amount due if postmarked after the license expiration date. Information on the CBA website was updated to ensure licensees were aware of the reduced fees and to assist in submitting accurate with the license renewal application.

All CE Reporting Worksheets and Peer Review Reporting Forms, which are submitted by licensees at the time of license renewal, are reviewed to ensure requirements are met. When deficiencies occur, a letter is sent to the licensee informing them of the deficiency and advising them how to gain compliance. The CE Worksheet Received Statistics, provided on the following page, include the number of deficiencies that were referred to the Enforcement Division for further review. As the statistics indicate, during FY 2014-15 8,821 licensees were in compliance with the CBA's CE and renewal-related requirements necessary for license renewal.

As a result of the peer review reporting requirement, the License Renewal and Continuing Competency Unit (RCC) saw significant increases in enforcement referrals, deficiencies and compliances. Peer Review related issues accounted for more than half of the enforcement referrals. Further, the RCC Unit experienced a 72% increase over the 5,659 deficiencies received in FY 2013-14. This increase was mainly due to licensees failing to submit peer review information at the time of license renewal. The RCC Unit continues to work with licensees to assist in bringing them into compliance with CE and renewal-related requirements.

## CPA/PA Worksheets Received Statistics



\*The number of 20/12 deficiencies reported reference stand-alone 20/12 deficiencies. There were 660 additional 20/12 deficiencies identified with a CE deficiency. This count is included in the CE deficiencies identified.

\*\*In addition to CE deficiencies, enforcement referrals reported for 2014-15 also consist of peer review, fingerprint, CE audit, and second 20/12 deficiencies.

Licensees renewing in an active status are required to complete a two-hour Board-approved Regulatory Review course every six years. A Regulatory Review course must cover the provisions of the California Accountancy Act and CBA Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations. The course materials must include an overview of historic and recent disciplinary actions taken by the CBA and highlight the misconduct which led to licensees being disciplined.

For a CE sponsor to offer a Board-approved Regulatory Review course, the provider must submit the course materials and required documentation outlined in the Initial Application Package. Upon receipt of the submission, staff will work directly with the provider to ensure the materials are complete and the course content is current and covers all applicable statutes and regulations. Upon approval, the CBA will assign the course a unique approval number and update the Board-Approved Regulatory Review Course list, which is posted on the CBA website. A course is valid for two years and must be renewed on the last day of the month for which the course was originally approved.

At the end of FY 2014-15 there were 25 Board-approved Regulatory Review courses. Below outlines the number of Regulatory Review courses received, reviewed, and approved/renewed during FY 2014-15:

Regulatory Review Courses	
Number of Courses Received (first time submission)	7
Number of Revised Courses Received (initial submission returned for corrections)	2
Number of Courses Approved	6
Number of Courses Renewed	9

## RETIRED STATUS

Effective July 1, 2014, licensees were given the option to have their license placed in a retired status. To be eligible to apply for retired status, a licensee must have held a license as a CPA or PA in the United States for a minimum of 20 total years, and of those 20 total years, have held an active CPA or PA license for a minimum of five years with the CBA. Additionally, the license may not be suspended, revoked, or otherwise punitively restricted by the CBA or subject to disciplinary action.

CPA and PA licensees holding a license in a retired status are required to renew their licenses biennially, in conjunction with their birth month. However, at the time of renewal, licensees holding a license in a retired status are exempt from both the renewal fee and CE requirements.

Since this option became available, 660 licensees have been approved for retired status. Articles were prepared for the CBA's UPDATE Newsletter, revisions were made to the Licensee Handbook, and the retired status application and informational materials were added to the CBA website in an effort to inform licensees of this new option.

## OUT-OF-STATE FIRM REGISTRATION

Qualified out-of-state accounting firms that are seeking to practice public accountancy in California through a qualified practice privilege holder can apply for an out-of-state accounting firm registration. The application is reviewed to ensure accuracy and once approved is posted on the CBA website. Out-of-state firms that hold a valid and current license, certificate, or permit to practice public accountancy from another state are required to register with the CBA prior to performing the following services for an entity headquartered in California:

- The audit or review of a financial statement
- A compilation of a financial statement when that person expects, or reasonably might expect, that a third party will use the financial statement and the compilation report does not disclose a lack of independence
- An examination of prospective financial information

To qualify, the out-of-state accounting firm cannot have an office located in California, its CPAs providing services in California must qualify for a practice privilege, and it must satisfy all other requirements for licensure in California, other than its form of legal organization. An Out-of-State Accounting Firm Registration is valid for two years and must be renewed prior to the expiration date if the firm wishes to maintain practice privilege rights in California.

The following table represents the workload associated with processing out-of-state accounting firm registrations.

<b>Out-of-State Accounting Firm Registration</b>	
<b>Approved</b>	135
<b>Pending Review</b>	0
<b>Pending Correction of Deficiencies</b>	1
<b>Enforcement Referrals</b>	15

## LICENSING COMMITTEES

### QUALIFICATIONS COMMITTEE

The Qualifications Committee (QC) derives its authority from BPC section 5023.

The purpose of the QC is to act as an advisory committee and assist the CBA in its licensure activities by conducting work paper reviews of experience of applicants, and interviewing employers that appear before the committee, under the provisions of CBA Regulations sections 12, 12.5, and 69. Annually, the QC conducts an internal audit of files approved for licensure to ensure applicants have met all qualifications of the Accountancy Act and CBA Regulations. The QC also assists by making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized to act.

For FY 2014-15, the QC met three times, conducting 32 appearances. As a result of these appearances, the QC recommended 25 applicants be approved for licensure and seven applicants be deferred for additional experience. Each year the QC performs an annual internal audit assessing the review of applicant files performed by staff. For FY 2014-15 a total of 100 files were reviewed and the QC concurred with staff's assessment on all 100.

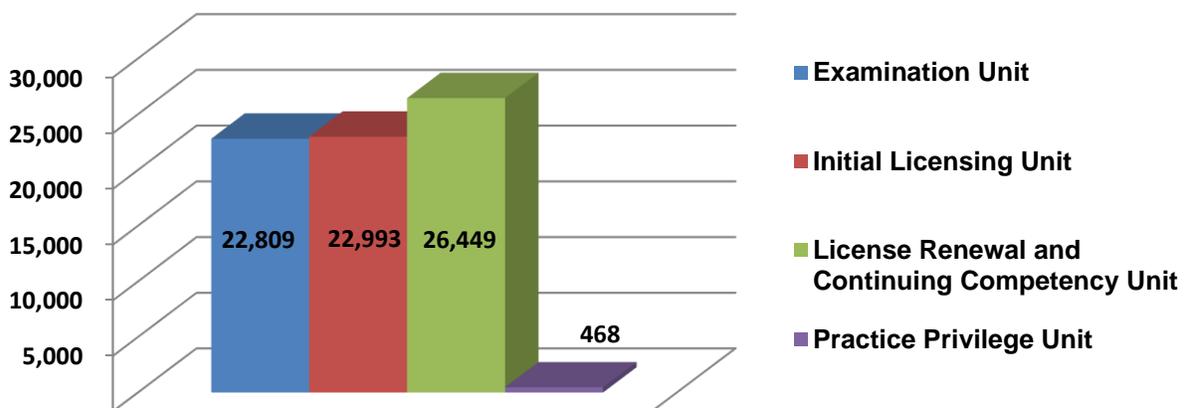
### SERVICE TO CBA STAKEHOLDERS

Consistent with the customer service goal of the *2013-2015 Strategic Plan* to deliver the highest level of customer service, the Licensing Division staff strives to provide excellent service to all stakeholders including consumers, applicants, licensees, interested parties, and the CBA members themselves.

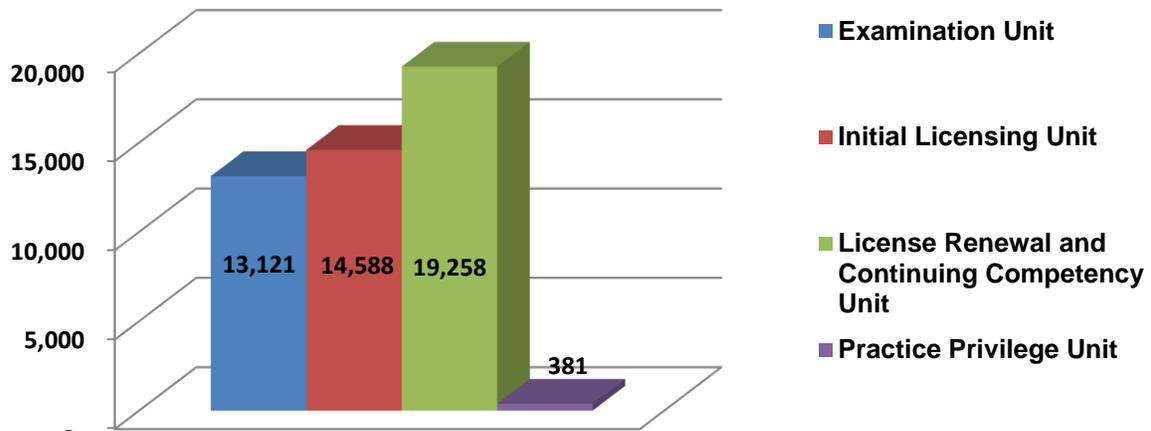
The Licensing Division receives a high volume of telephone calls and emails regarding all four program areas.

The CBA's goal is to answer all telephone calls as they are received and respond to voicemail and email messages within 24 hours of receipt. The CBA routinely receives comments via the online customer service survey regarding the high level of customer service and professionalism exhibited by Licensing Division staff.

### Telephone Calls Fiscal Year 2014-15



## Emails Received Fiscal Year 2014-15



### PROGRAM ENHANCEMENTS

Over the past several years, the CBA has continued its ongoing efforts to implement changes internally within the Licensing Division to streamline workflow.

These efforts have included:

- Implemented tracking of weekly workflow within the Examination Unit to ensure that every position is being properly utilized and necessary adjustments to workflow are made in an effort to reduce processing timeframes.
- Received the approval of the CBA to propose amendments to CBA Regulations section 9.1 that will enhance the CBA's oversight of foreign credentials evaluation services.
- Reorganized duties of the Initial Licensing Unit technical and analytical staff to best allocate workload to the appropriate levels and maintain processing timeframes.
- Provided courtesy packet to candidates approved for the CPA Exam to assist them in determining whether they meet the educational requirements for licensure.
- Revised and streamlined the CE Audit review process to reduce the inventory of outstanding audits.
- Developed a tracking mechanism and re-evaluated duties within the RCC Unit to improve processing timeframes and quality control.

**Patti Bowers**  
Executive Officer

**Deanne Pearce**  
Assistant Executive Officer

**Dominic Franzella**  
Enforcement Chief

**Gina Sanchez**  
Licensing Chief

**Veronica Daniel**  
Initial Licensing Unit Manager

**Paul Fisher, CPA**  
Supervising Investigative CPA

**Cynthia Fuller**  
Renewal/Continuing Competency Unit Manager

**Matthew Stanley**  
Public Information Officer

**Angela Wise**  
Criminal Offender Record Information Unit Manager

**Sara Narvaez**  
Non-Technical Enforcement Unit Manager

**Christy Abate**  
Administration Manager

**Malcolm Mitchell**  
Discipline and Probation Monitoring Unit Manager

**Vacant**  
Examination and Practice Privilege Units Manager



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**CBA Item IV.D.**  
September 17-18, 2015

## **Discussion and Possible Action Regarding Legislation on Which the CBA Has Taken a Position**

**Presented by:** Matthew Stanley, Information and Planning Officer

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### **Purpose of the Item**

The purpose of this agenda item is to present the status of legislation being followed by the California Board of Accountancy (CBA).

### **Action(s) Needed**

The CBA will be asked if it wishes to change any of its positions on legislation based on recent amendments.

### **Background**

The CBA has taken positions on various pieces of legislation (**Attachment**). Staff recommend maintaining the current positions on Assembly Bill (AB) 85, 507, 750, 1351, 1532 and Senate Bill (SB) 8, and 467, which have either not been amended or which have been amended, but not in a way that changes the effect of the bill.

As the Legislative session ends on September 11, 2015, and the Governor has until October 11, 2015 to sign or veto bills, staff will provide a current status of every bill at the CBA's September 2015 meeting.

### **Comments**

SB 799, the annual omnibus bill, was amended and is no longer relevant to the CBA. Staff recommend that the CBA discontinue following SB 799. It is the understanding of staff that the former contents of SB 799 are being amended into another bill. When that occurs, **CBA Agenda Item IV.E.** will provide the CBA an opportunity to take a position on that bill.

Only one bill has been significantly amended since the CBA's July 2015 meeting. However, should the CBA wish to alter a position, it may choose to do so. For each bill on which the CBA has a Support or Oppose position, a letter will be sent to the Governor asking for his signature or veto on the bill.

**Discussion and Possible Action Regarding Legislation on Which the CBA Has Taken a Position**

Page 2 of 2

**Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

**Recommendation**

Staff does not have a recommendation on this agenda item.

**Attachment**

2015-16 Legislative Tracking List



**DEPARTMENT OF CONSUMER AFFAIRS**  
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## Attachment

## 2015-16 Legislative Tracking List

<i>CBA Positions</i>				
<b>Bill #</b>	<b>Author</b>	<b>Topic</b>	<b>Position</b>	<b>Status As of August 20</b>
<b>AB 85</b>	Wilk	Open meetings	Oppose	Senate Floor
<b>AB 507</b>	Olsen	Department of Consumer Affairs: BreZE: annual report	Support	Two-year bill
<b>AB 750</b>	Low	Business and professions: retired category: licenses	Neutral	Two-year bill
<b>AB 1351</b>	Eggman	Deferred entry of judgment: Pretrial Diversion	Watch	Senate Floor
<b>AB 1532</b>	Eggman	Deferred entry of judgment: withdrawal of plea	Watch	Senate Floor
<b>SB 8</b>	Hertzberg	Taxation	Watch	Two-year bill
<b>SB 467</b>	Hill	Professions and vocations (CBA's Sunset Review Bill)	Support	Assembly Floor
<b>SB 799</b>	Hill	School Finance	Support	Assembly Floor
<b><i>Monitoring</i></b>				
<b>AB 12</b>	Cooley	Regulations: review	None	Senate Governmental Organization
<b>AB 513</b>	Jones	Professions and vocations (spot bill)	None	Two-year bill
<b>AB 1215</b>	Ting	Open government	None	Two-year bill
<b>SB 560</b>	Monning	Licensing boards: unemployment insurance	None	Assembly Floor
<b>SB 729</b>	Wieckowski	Consumer complaints (spot bill)	None	Two-year bill

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**CBA Item IV.E.**

September 17-18, 2015

**Additional Legislation Impacting the California Board of Accountancy Identified  
 by Staff After the Posting of the Meeting Notice**

**AB 181**

<b>Subject:</b>	Business and Professions	<b>Version</b>	9/4/2015
<b>Author:</b>	Bonilla	<b>Status:</b>	Senate Floor
<b>Sponsor:</b>	Author Bill		

**Action(s) Needed**

The California Board of Accountancy (CBA) will be asked to take a support position on Assembly Bill (AB) 181.

**Background**

The annual omnibus bill, previously Senate Bill (SB) 799, was amended to be a school finance bill. The former contents of SB 799 have been added to AB 181, the Board of Barbering and Cosmetology's sunset legislation.

**Summary**

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.

## **Additional Legislation Impacting the California Board of Accountancy Identified by Staff After the Posting of the Meeting Notice**

Page 2 of 3

### 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.

### Analysis

The three provisions relative to the CBA in this bill were proposals put forward by the CBA at the beginning of the legislative year. These provisions were previously included in SB 799 which was supported by the CBA.

### Fiscal Estimate

There is no anticipated fiscal impact to the CBA.

### Recommendation

Staff recommend that the CBA take a Support position on this bill.

### Support/Opposition

Support: None

Opposition: None

### Effective/Operative Date

January 1, 2016

**Additional Legislation Impacting the California Board of Accountancy Identified  
by Staff After the Posting of the Meeting Notice**

Page 3 of 3

**Related Bills**

None

**Attachment**

AB 181 (Specific to the CBA)

AMENDED IN SENATE SEPTEMBER 4, 2015

AMENDED IN SENATE AUGUST 31, 2015

AMENDED IN SENATE JUNE 29, 2015

AMENDED IN ASSEMBLY APRIL 23, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

## ASSEMBLY BILL

**No. 181**

**Introduced by Assembly Member Bonilla**  
(Principal coauthor: Senator Hill)

January 26, 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, 7303, 7303.2, 7313, 7395.1, 7401, 7404, ~~and 7407~~ 7407, 7685, 7818, 8508, 8513, 8552, 8611, and 17913 of, to add Sections 7314.3 and 7402.5 to, and to repeal Sections ~~7304 and 7308~~ 7304, 7308, and 8516.5 of, the Business and Professions Code, and to amend Section 13995.40 of the Government Code, relating to ~~professions and vocations.~~ *business and professions.*

### LEGISLATIVE COUNSEL'S DIGEST

AB 181, as amended, Bonilla. ~~Professions and vocations: barbering and cosmetology.~~ *Business and professions.*

The

(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 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.*

*Existing law authorizes the board to issue a certified public 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.*

*(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.*

*(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.*

*(4) The Barbering and Cosmetology Act provides for the licensure and regulation, including inspection, of barbers and cosmetologists by the State Board of Barbering and Cosmetology in the Department of Consumer Affairs. Existing law requires that the board consist of certain members, and authorizes the board to appoint an executive officer. Under existing law, these provisions are repealed on January 1, 2016.*

*This bill would extend the operation of the board and the executive officer to January 1, 2020.*

*Existing law also requires the board to conduct specified reviews and reports by various dates in the past.*

*This bill would delete those requirements and would require the board, no later than November 1, 2018, to conduct specified reviews regarding training and examinations and report its findings to specified committees of the Legislature. The bill would require the board to establish a protocol for inspecting establishments when an inspector has difficulty understanding or communicating with the owner, manager, or employees of the establishment due to language barriers, and to evaluate the protocol every two years to ensure that it remains current. The bill would require the board to establish a Health and Safety Advisory Committee to provide the board with advice and recommendations on health and safety issues before the board. The bill would also require the board to issue regulations for a personal service permit, as defined, that, among other things, may require an applicant for a personal service permit to have proof of liability insurance, and would authorize fees for the issuance and renewal of a personal service permit. The bill would require the board to report to the Legislature, on or before July 1, 2017, as specified, regarding the regulatory process and the issuance of personal*

service permits. The bill would also make technical, nonsubstantive changes to these provisions.

(5) *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) *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 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 registered companies.*

*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.*

(7) 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.

(8) This bill would make various other nonsubstantive changes.

(9) 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: ~~no~~-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  
8 also use the abbreviation “C.P.A.” No other person, except a firm  
9 registered under this chapter, shall assume or use that title,  
10 designation, or abbreviation or any other title, designation, sign,  
11 card, or device tending to indicate that the person using it is a  
12 certified public accountant.

13 SEC. 2. Section 5070.1 of the Business and Professions Code  
14 is amended to read:

15 5070.1. (a) The board may establish, by regulation, a system  
16 for the placement of a license into a retired status, upon application,  
17 for certified public accountants and public accountants who are  
18 not actively engaged in the practice of public accountancy or any  
19 activity ~~which~~ that requires them to be licensed by the board.

1 (b) No licensee with a license in a retired status shall engage in  
2 any activity for which a permit is required.

3 (c) The board shall deny an applicant’s application to place a  
4 license in a retired status if the permit is subject to an outstanding  
5 order of the board, is suspended, revoked, or otherwise punitively  
6 restricted by the board, or is subject to disciplinary action under  
7 this chapter.

8 (d) (1) The holder of a license that was canceled pursuant to  
9 Section 5070.7 may apply for the placement of that license in a  
10 retired status pursuant to subdivision (a).

11 (2) Upon approval of an application made pursuant to paragraph  
12 (1), the board shall reissue that license in a retired status.

13 (3) The holder of a canceled license that was placed in retired  
14 status between January 1, 1994, and January 1, 1999, inclusive,  
15 shall not be required to meet the qualifications established pursuant  
16 to subdivision (e), but shall be subject to all other requirements of  
17 this section.

18 (e) The board shall establish minimum qualifications to place  
19 a license in retired status.

20 (f) The board may exempt the holder of a license in a retired  
21 status from the renewal requirements described in Section 5070.5.

22 (g) The board shall establish minimum qualifications for the  
23 restoration of a license in a retired status to an active status. These  
24 minimum qualifications shall include, but are not limited to,  
25 continuing education and payment of a fee as provided in  
26 subdivision (h) of Section 5134.

27 (h) *The board shall not restore to active or inactive status a*  
28 *license that was canceled by operation of law, pursuant to*  
29 *subdivision (a) of Section 5070.7, and then placed into retired*  
30 *status pursuant to subdivision (d). The individual shall instead*  
31 *apply for a new license, as described in subdivision (c) of Section*  
32 *5070.7, in order to restore his or her license.*

33 *SEC. 3. Section 5087 of the Business and Professions Code is*  
34 *amended to read:*

35 5087. (a) The board may issue a certified public accountant  
36 license to any applicant who is a holder of a ~~valid and unrevoked~~  
37 *current, active, and unrestricted* certified public accountant license  
38 issued under the laws of any state, if the board determines that the  
39 standards under which the applicant received the license are  
40 substantially equivalent to the standards of education, examination,

1 and experience established under this chapter and the applicant  
2 has not committed acts or crimes constituting grounds for denial  
3 under Section 480. To be authorized to sign reports on attest  
4 engagements, the applicant shall meet the requirements of Section  
5 5095.

6 (b) The board may in particular cases waive any of the  
7 requirements regarding the circumstances in which the various  
8 parts of the examination were to be passed for an applicant from  
9 another state.

10 *SEC. 4. Section 6735 of the Business and Professions Code is*  
11 *amended to read:*

12 6735. (a) All civil (including structural and geotechnical)  
13 engineering plans, calculations, specifications, and reports  
14 (hereinafter referred to as “documents”) shall be prepared by, or  
15 under the responsible charge of, a licensed civil engineer and shall  
16 include his or her name and license number. Interim documents  
17 shall include a notation as to the intended purpose of the document,  
18 such as “preliminary,” “not for construction,” “for plan check  
19 only,” or “for review only.” All civil engineering plans and  
20 specifications that are permitted or that are to be released for  
21 construction shall bear the signature and seal or stamp of the  
22 licensee and the date of signing and sealing or stamping. All final  
23 civil engineering calculations and reports shall bear the signature  
24 and seal or stamp of the licensee, and the date of signing and  
25 sealing or stamping. If civil engineering plans are required to be  
26 signed and sealed or stamped and have multiple sheets, the  
27 signature, seal or stamp, and date of signing and sealing or  
28 stamping shall appear on each sheet of the plans. If civil  
29 engineering specifications, calculations, and reports are required  
30 to be signed and sealed or stamped and have multiple pages, the  
31 signature, seal or stamp, and date of signing and sealing or  
32 stamping shall appear at a minimum on the title sheet, cover sheet,  
33 or signature sheet.

34 ~~(b) (1) All civil engineering plans, calculations, specifications,~~  
35 ~~and reports for the construction of structures described in paragraph~~  
36 ~~(2) shall be prepared by, or under the responsible charge of, a~~  
37 ~~licensed architect holding a valid certificate under Chapter 3~~  
38 ~~(commencing with Section 5500) or a licensed civil engineer who~~  
39 ~~is also licensed as a structural engineer in accordance with Section~~  
40 ~~6736.~~

1 ~~(2) All public school structures, as provided under Chapter 3~~  
2 ~~(commencing with Section 17251) of Part 10.5 of Division 1 of~~  
3 ~~Title 1 of the Education Code.~~

4 ~~(e) (1) All civil engineering plans, calculations, specifications,~~  
5 ~~and reports for the construction of the structures described in~~  
6 ~~paragraph (2) shall be prepared by, or under the responsible charge~~  
7 ~~of, a licensed civil engineer who is also licensed as a structural~~  
8 ~~engineer in accordance with Section 6736.~~

9 ~~(2) Hospitals and other medical facilities having surgery and~~  
10 ~~emergency treatment areas, as provided under Part 7 (commencing~~  
11 ~~with Section 129675) of Division 107 of the Health and Safety~~  
12 ~~Code.~~

13 ~~(d)~~  
14 ~~(b) Notwithstanding subdivision (a) or (b), (a), a licensed civil~~  
15 ~~engineer who signs civil engineering documents shall not be~~  
16 ~~responsible for damage caused by subsequent changes to or uses~~  
17 ~~of those documents, if the subsequent changes or uses, including~~  
18 ~~changes or uses made by state or local governmental agencies, are~~  
19 ~~not authorized or approved by the licensed civil engineer who~~  
20 ~~originally signed the documents, provided that the engineering~~  
21 ~~service rendered by the civil engineer who signed the documents~~  
22 ~~was not also a proximate cause of the damage.~~

23 *SEC. 5. Section 7083 of the Business and Professions Code is*  
24 *amended to read:*

25 *7083. AH(a) Notwithstanding any other law, licensees shall*  
26 *notify the registrar, on a form prescribed by the registrar, in writing*  
27 *within 90 days of any change to information recorded under this*  
28 *chapter. This notification requirement shall include, but not be*  
29 *limited to, changes in business address, personnel, business name,*  
30 *qualifying individual bond exemption pursuant to Section 7071.9,*  
31 *or exemption to qualify multiple licenses pursuant to Section*  
32 *7068.1.*

33 *(b) Failure of the licensee to notify the registrar of any change*  
34 *to information within 90 days shall cause the change to be effective*  
35 *the date the written notification is received at the board's*  
36 *headquarters office.*

37 *(c) Failure to notify the registrar of the changes within the 90*  
38 *days is grounds for disciplinary action.*

39 *SEC. 6. Section 7200 of the Business and Professions Code is*  
40 *amended to read:*

1 7200. (a) There is in the Department of Consumer Affairs a  
2 State Board of Guide Dogs for the Blind in whom enforcement of  
3 this chapter is vested. The board shall consist of seven members  
4 appointed by the Governor. One member shall be the Director of  
5 Rehabilitation or his or her designated representative. The  
6 remaining members shall be persons who have shown a particular  
7 interest in dealing with the problems of ~~the blind~~, *persons who are*  
8 *blind or visually impaired* and at least two of them shall be ~~blind~~  
9 *persons who are blind or visually impaired who use guide dogs.*

10 (b) This section shall remain in effect only until January 1, 2018,  
11 and as of that date is repealed, unless a later enacted statute, that  
12 is enacted before January 1, 2018, deletes or extends that date.  
13 Notwithstanding any other law, the repeal of this section renders  
14 the board subject to review by the appropriate policy committees  
15 of the Legislature.

16 *SEC. 7. Section 7200.5 of the Business and Professions Code*  
17 *is amended to read:*

18 7200.5. The board shall have exclusive authority in this state  
19 to issue licenses for the instruction of ~~blind~~ *persons who are blind*  
20 *or visually impaired* in the use of guide dogs and for the training  
21 of guide dogs for use by ~~blind persons~~, *persons who are blind or*  
22 *visually impaired*. It shall also have exclusive authority in this state  
23 to issue licenses to operate schools for the training of guide dogs  
24 ~~for the blind~~, and the instruction of ~~blind~~ *persons who are blind*  
25 *or visually impaired* in the use of guide dogs.

26 *SEC. 8. Section 7200.7 of the Business and Professions Code*  
27 *is amended to read:*

28 7200.7. A fee equal to no more than 0.005 of all school  
29 expenses incurred in the most recently concluded school ~~calendar~~  
30 *fiscal year*, as specified in the audit required under Section 7217,  
31 shall be paid no later than April 30 of each year for renewal of a  
32 school's license pursuant to Section 7200.5. The board shall, by  
33 regulation, define the exact amount of the fee. All fees collected  
34 pursuant to this section shall be deposited into the Guide Dogs for  
35 the Blind Fund, which is hereby created.

36 *SEC. 9. Section 7201 of the Business and Professions Code is*  
37 *amended to read:*

38 7201. No person shall be eligible to membership in the board  
39 who is a stockholder in, or an owner of, or financially interested  
40 directly or indirectly, in any company, organization, or concern

1 supplying, delivering, or furnishing any guide dogs for use by the  
 2 ~~blind~~ *persons who are blind or visually impaired.*

3 *SEC. 10. Section 7202 of the Business and Professions Code*  
 4 *is amended to read:*

5 7202. Each of the appointed members of the board shall hold  
 6 office for a term of four years and until his *or her* successor is  
 7 appointed and qualified or until one year shall have elapsed since  
 8 the expiration of the term for which he *or she* was appointed,  
 9 whichever first occurs. No person shall serve as an appointed  
 10 member of the board for more than two consecutive terms, but this  
 11 ~~provision shall not apply to any member in office at the time this~~  
 12 ~~provision takes effect.~~ *terms.*

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 ~~blind~~ *persons who are blind or visually impaired*  
 21 in 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 the blind~~ *persons who are blind or visually impaired.*
- 24 (c) Govern the operation of schools which furnish guide dogs  
 25 and train ~~blind~~ *persons who are blind or visually impaired* to use  
 26 guide dogs.
- 27 (d) The reissuance of licenses.
- 28 (e) The reexamination of licensees.

29 *SEC. 12. Section 7209 of the Business and Professions Code*  
 30 *is amended to read:*

31 7209. A person to be eligible for examination as an instructor  
 32 must ~~(1)~~ *(a) have a knowledge of the special problems of the blind*  
 33 *persons who are blind or visually impaired and how to teach them,*  
 34 ~~(2)~~ *(b) be able to demonstrate by actual blindfold test under traffic*  
 35 *conditions his or her ability to train guide dogs with whom a blind*  
 36 ~~person~~ *persons who are blind or visually impaired would be safe,*  
 37 ~~(3)~~ *(c) be suited temperamentally and otherwise to instruct blind*  
 38 *persons who are blind or visually impaired in the use of guide*  
 39 *dogs, and* ~~(4)~~ *(d) have had at least three years' actual experience,*  
 40 *comprising such number of hours as the board may require, as an*

1 instructor, and have handled ~~twenty-two (22) man-dog~~ 22  
2 *person-dog* units; or its equivalent, as determined by the board, as  
3 an apprentice under a licensed instructor or under an instructor in  
4 a school satisfactory to the board.

5 *SEC. 13. Section 7209.5 of the Business and Professions Code*  
6 *is amended to read:*

7 7209.5. Except as the context otherwise requires, as used in  
8 this chapter the term “instructor” means a person who instructs  
9 ~~blind~~ persons *who are blind or visually impaired* in the use of  
10 guide dogs or who engages in the business of training, selling,  
11 hiring, or supplying guide dogs for ~~the blind~~. *persons who are*  
12 *blind or visually impaired.*

13 *SEC. 14. Section 7210.5 of the Business and Professions Code*  
14 *is amended to read:*

15 7210.5. It is unlawful to solicit funds for any person purporting  
16 to provide guide dogs for ~~the blind~~ *persons who are blind or*  
17 *visually impaired* in this state unless the person for whose benefit  
18 the solicitation is made holds a valid and unimpaired license issued  
19 by the State Board of Guide Dogs for the Blind.

20 As used in this section “person” means an individual, firm,  
21 partnership, association, corporation, limited liability company,  
22 or cooperative association.

23 *SEC. 15. Section 7211.1 of the Business and Professions Code*  
24 *is amended to read:*

25 7211.1. (a) As a condition of renewal of an instructor’s license,  
26 the instructor shall provide proof of completion of not less than 8  
27 hours of continuing education. The board shall determine the form  
28 of proof.

29 (b) Continuing education shall meet the criteria specified in  
30 Section 166, and shall be in one or more of the following subject  
31 matter areas:

32 (1) Blindness and mobility.

33 (2) Health issues relating to blindness.

34 (3) ~~Instructing blind persons~~. *persons who are blind or visually*  
35 *impaired.*

36 (4) Care and training of dogs.

37 ~~(e) This section shall apply to renewal of instructors’ licenses~~  
38 ~~which expire on or after June 30, 1996.~~

39 *SEC. 16. Section 7211.2 of the Business and Professions Code*  
40 *is amended to read:*

1 7211.2. A plea or verdict of guilty or a conviction following a  
 2 plea of nolo contendere is deemed to be a conviction within the  
 3 meaning of this article. The board may order the license suspended  
 4 or revoked, or may decline to issue a license, when the time for  
 5 appeal has elapsed, or the judgment of conviction has been affirmed  
 6 on appeal or when an order granting probation is made suspending  
 7 the imposition of sentence, irrespective of a subsequent order under  
 8 the provisions of Section 1203.4 of the Penal Code allowing such  
 9 person to withdraw his *or her* plea of guilty and to enter a plea of  
 10 not guilty, or setting aside the verdict of guilty, or dismissing the  
 11 accusation, ~~information~~ *information*, or indictment.

12 *SEC. 17. Section 7215 of the Business and Professions Code*  
 13 *is amended to read:*

14 7215. No person shall sell, give, or furnish any guide dog to a  
 15 ~~blind~~ person *who is blind or visually impaired* unless the following  
 16 requirements have been met:

- 17 (a) The dog has been immunized against distemper and rabies.
- 18 (b) The dog has been spayed or neutered.
- 19 (c) The dog has been examined by a licensed veterinarian and  
 20 found to be in good health.

21 A certificate from a veterinarian certifying to the foregoing shall  
 22 be delivered to the recipient of the dog at the time the dog is  
 23 assigned to a client.

24 *SEC. 18. Section 7215.5 of the Business and Professions Code*  
 25 *is amended to read:*

26 7215.5. (a) During the first year following the successful  
 27 training of each person-dog unit, and release from a guide dog  
 28 training school of the trained person supplied with a guide dog,  
 29 the school may retain title to the trained dog. During this  
 30 probationary year, the school may enter into a contractual  
 31 agreement with the user of the dog describing the conditions under  
 32 which the user may maintain the status of legal custodian of the  
 33 dog. During the probationary year, the school, acting in what it  
 34 deems to be the best interest of the user, the dog, or the public,  
 35 may temporarily or permanently resume possession of the dog.

36 (b) Within 15 days after the end of each ~~calendar~~ *fiscal* year,  
 37 each licensed school shall report to the board the following:

- 38 (1) The number of dog ownership titles transferred to dog users  
 39 pursuant to this section during the calendar year.

1 (2) The number of title recoveries and repossessions made by  
2 the school pursuant to this section during the calendar year.

3 (3) The number, type, and amount of charges assessed for  
4 followup training, instruction, veterinary, or boarding services,  
5 pursuant to this section, which make a distinction between users  
6 who have acquired title to their dogs and users who have not  
7 acquired title.

8 (4) The views of the governing entity of the school as to any  
9 problems or concerns relative to compliance with the provisions  
10 of this section, along with recommendations for appropriate  
11 legislative or administrative changes commensurate with the  
12 purposes of this section.

13 (c) Immediately upon completion of the first year following the  
14 successful training referred to above, if the training school and the  
15 dog user are mutually satisfied with the operation of the person-dog  
16 unit, title to the dog shall be transferred to the ~~blind~~ user *who is*  
17 *blind or visually impaired* if the user so desires. Transfer of title  
18 shall be evidenced by a transfer of title agreement executed by  
19 both parties thereto. The school may retain an option to recover  
20 title and possession to the guide dog subject to conditions described  
21 in the transfer of title agreement. These conditions may include,  
22 but are not limited to, the following:

23 (1) If in the school's opinion, the guide dog is being misused  
24 or neglected or mistreated by its ~~blind user~~ *user who is blind or*  
25 *visually impaired*.

26 (2) If the ~~blind person~~ *user* to whom the dog was furnished has  
27 ceased to use the dog as a guide and the dog is not too old to be  
28 retrained as a guide for another ~~blind person~~ *person who is blind*  
29 *or visually impaired*.

30 (3) If, in the school's opinion, the dog is no longer a safe guide  
31 and the user refuses to cease using the dog as a guide after being  
32 requested by the school to cease this use.

33 (d) The guide dog school shall make no distinction as to the  
34 quality or extent of followup or supportive services available to  
35 its blind graduates based on whether they elect to acquire title to  
36 their dogs or allow title to remain with the school after the  
37 probationary year. The school may, however, make this distinction  
38 when assessing reasonable and appropriate charges for followup  
39 training, instruction, veterinary, or boarding services.

1 (e) No applicant for admission to a guide dog training school,  
 2 nor any enrolled student, shall be required by the school prior to  
 3 completion of his or her training to sign any instrument or to  
 4 announce his or her intention regarding transfer of title of the dog  
 5 from the school to himself or herself upon completion of the  
 6 training and probation period.

7 *SEC. 19. Section 7217 of the Business and Professions Code*  
 8 *is amended to read:*

9 7217. (a) Within 60 days after the ~~end of a calendar year or~~  
 10 ~~after the~~ termination of the fiscal year of a school, there shall be  
 11 furnished to the board the following:

- 12 (1) A list of students accepted for training and those who have  
 13 completed training.
- 14 (2) A list of the number of dogs trained.

15 (b) Within 90 days after the end of a ~~calendar~~ *fiscal* year, there  
 16 shall be furnished to the board an independent audit of the school's  
 17 finances by a certified public accountant licensed by this state.

18 ~~SECTION 1.~~

19 *SEC. 20. Section 7303 of the Business and Professions Code*  
 20 *is amended to read:*

21 7303. (a) Notwithstanding Article 8 (commencing with Section  
 22 9148) of Chapter 1.5 of Part 1 of Division 2 of Title 2 of the  
 23 Government Code, there is in the Department of Consumer Affairs  
 24 the State Board of Barbering and Cosmetology in which the  
 25 administration of this chapter is vested.

26 (b) The board shall consist of nine members. Five members  
 27 shall be public members, and four members shall represent the  
 28 professions. The Governor shall appoint three of the public  
 29 members and the four professional members. The Senate  
 30 Committee on Rules and the Speaker of the Assembly shall each  
 31 appoint one public member. Members of the board shall be  
 32 appointed for a term of four years, except that of the members  
 33 appointed by the Governor, two of the public members and two  
 34 of the professions members shall be appointed for an initial term  
 35 of two years. No board member may serve longer than two  
 36 consecutive terms.

37 (c) The board may appoint an executive officer who is exempt  
 38 from civil service. The executive officer shall exercise the powers  
 39 and perform the duties delegated by the board and vested in him  
 40 or her by this chapter. The appointment of the executive officer is

1 subject to the approval of the director. In the event that a newly  
2 authorized board replaces an existing or previous bureau, the  
3 director may appoint an interim executive officer for the board  
4 who shall serve temporarily until the new board appoints a  
5 permanent executive officer.

6 (d) The executive officer shall provide examiners, inspectors,  
7 and other personnel necessary to carry out the provisions of this  
8 chapter.

9 (e) This section shall remain in effect only until January 1, 2020,  
10 and as of that date is repealed, unless a later enacted statute, that  
11 is enacted before January 1, 2020, deletes or extends that date.  
12 Notwithstanding any other law, the repeal of this section renders  
13 the board subject to review by the appropriate policy committees  
14 of the Legislature.

15 ~~SEC. 2.~~

16 *SEC. 21.* Section 7303.2 of the Business and Professions Code  
17 is amended to read:

18 7303.2. The board shall conduct the following reviews, and  
19 shall report its findings and recommendations to the Assembly  
20 Committee on Business and Professions and the Senate Committee  
21 on Business, Professions, and Economic Development no later  
22 than November 1, 2018:

23 (a) The board, pursuant to Section 139, shall review the  
24 1,600-hour training requirement for cosmetologists, conduct an  
25 occupational analysis of the cosmetology profession in California,  
26 and conduct a review of the national written examination for  
27 cosmetologists and of the practical examination, in order to  
28 evaluate whether both examinations assess critical competencies  
29 for California cosmetologists and meet professional testing  
30 standards.

31 (b) The board shall review the Spanish language examination  
32 if, by January 1, 2016, the pass rate for Spanish speakers did not  
33 increase to the average pass rate for all other language examinations  
34 during the two-year period prior to January 1, 2016.

35 ~~SEC. 3.~~

36 *SEC. 22.* Section 7304 of the Business and Professions Code  
37 is repealed.

38 ~~SEC. 4.~~

39 *SEC. 23.* Section 7308 of the Business and Professions Code  
40 is repealed.

1     ~~SEC. 5.~~

2     ~~SEC. 24.~~ Section 7313 of the Business and Professions Code  
3 is amended to read:

4     7313. (a) (1) To ensure compliance with the laws and  
5 regulations of this chapter, the board's executive officer and  
6 authorized representatives shall, except as provided by Section  
7 159.5, have access to, and shall inspect, any establishment or  
8 mobile unit during business hours or at any time in which  
9 barbering, cosmetology, or electrolysis are being performed. It is  
10 the intent of the Legislature that inspections be conducted on  
11 Saturdays and Sundays as well as weekdays, if collective  
12 bargaining agreements and civil service provisions permit.

13     (2) The board shall maintain a program of random and targeted  
14 inspections of establishments to ensure compliance with applicable  
15 laws relating to the public health and safety and the conduct and  
16 operation of establishments. The board or its authorized  
17 representatives shall inspect establishments to reasonably determine  
18 compliance levels and to identify market conditions that require  
19 targeted enforcement. The board shall not reduce the number of  
20 employees assigned to perform random inspections, targeted  
21 inspections, and investigations relating to field operations below  
22 the level funded by the annual Budget Act and described in  
23 supporting budget documents, and shall not redirect funds or  
24 personnel-years allocated to those inspection and investigation  
25 purposes to other purposes.

26     (b) To ensure compliance with health and safety requirements  
27 adopted by the board, the executive officer and authorized  
28 representatives shall, except as provided in Section 159.5, have  
29 access to, and shall inspect the premises of, all schools in which  
30 the practice of barbering, cosmetology, or electrolysis is performed  
31 on the public. Notices of violation shall be issued to schools for  
32 violations of regulations governing conditions related to the health  
33 and safety of patrons. Each notice shall specify the section violated  
34 and a timespan within which the violation must be corrected. A  
35 copy of the notice of violation shall be provided to the Bureau for  
36 Private Postsecondary Education.

37     (c) With prior written authorization from the board or its  
38 executive officer, any member of the board may enter and visit,  
39 in his or her capacity as a board member, any establishment, during  
40 business hours or at any time when barbering, cosmetology, or

1 electrolysis is being performed. The visitation by a board member  
2 shall be for the purpose of conducting official board business, but  
3 shall not be used as a basis for any licensing disciplinary action  
4 by the board.

5 (d) The board shall adopt a protocol for inspecting  
6 establishments when an inspector has difficulty understanding or  
7 communicating with the owner, manager, or employees of the  
8 establishment due to language barriers. The board shall evaluate  
9 the protocol every two years to ensure the protocol remains current.

10 ~~SEC. 6.~~

11 *SEC. 25.* Section 7314.3 is added to the Business and  
12 Professions Code, to read:

13 7314.3. The board shall establish a Health and Safety Advisory  
14 Committee to provide the board with advice and recommendations  
15 on health and safety issues before the board.

16 ~~SEC. 7.~~

17 *SEC. 26.* Section 7395.1 of the Business and Professions Code  
18 is amended to read:

19 7395.1. (a) A student who is enrolled in a school of  
20 cosmetology approved by the Bureau for Private Postsecondary  
21 Education in a course approved by the board may, upon completion  
22 of a minimum of 60 percent of the clock hours required for  
23 graduation in the course, work as an unpaid extern in a cosmetology  
24 establishment participating in the educational program of the school  
25 of cosmetology.

26 (b) A person working as an extern shall receive clock hour credit  
27 toward graduation, but that credit shall not exceed eight hours per  
28 week and shall not exceed 10 percent of the total clock hours  
29 required for completion of the course.

30 (c) The externship program shall be conducted in cosmetology  
31 establishments meeting all of the following criteria:

32 (1) The establishment is licensed by the board.

33 (2) The establishment has a minimum of four licensees working  
34 at the establishment, including employees and owners or managers.

35 (3) All licensees at the establishment are in good standing with  
36 the board.

37 (4) Licensees working at the establishment work for salaries or  
38 commissions rather than on a space rental basis.

39 (5) No more than one extern shall work in an establishment for  
40 every four licensees working in the establishment. No regularly

1 employed licensee shall be displaced or have his or her work hours  
2 reduced or altered to accommodate the placement of an extern in  
3 an establishment. Prior to placement of the extern, the  
4 establishment shall agree in writing sent to the school and to all  
5 affected licensees that no reduction or alteration of any licensee's  
6 current work schedule shall occur. This shall not prevent a licensee  
7 from voluntarily reducing or altering his or her work schedule.

8 (6) Externs shall wear conspicuous school identification at all  
9 times while working in the establishment, and shall carry a school  
10 laminated identification, that includes a picture, in a form approved  
11 by the board.

12 (d) (1) No less than 90 percent of the responsibilities and duties  
13 of the extern shall consist of the acts included within the practice  
14 of cosmetology as defined in Section 7316.

15 (2) The establishment shall consult with the assigning school  
16 regarding the extern's progress during the unpaid externship. The  
17 owner or manager of the establishment shall monitor and report  
18 on the student's progress to the school on a regular basis, with  
19 assistance from supervising licensees.

20 (3) A participating school shall assess the extern's learning  
21 outcome from the externship program. The school shall maintain  
22 accurate records of the extern's educational experience in the  
23 externship program and records that indicate how the extern's  
24 learning outcome translates into course credit.

25 (e) Participation in an externship program made available by a  
26 school shall be voluntary, may be terminated by the student at any  
27 time, and shall not be a prerequisite for graduation.

28 (f) The cosmetology establishment that chooses to utilize the  
29 extern is liable for the extern's general liability insurance, as well  
30 as cosmetology malpractice liability insurance, and shall furnish  
31 proof to the participating school that the establishment is covered  
32 by both forms of liability insurance and that the extern is covered  
33 under that insurance.

34 (g) (1) It is the purpose of the externship program authorized  
35 by this section to provide students with skills, knowledge, and  
36 attitudes necessary to acquire employment in the field for which  
37 they are being trained, and to extend formalized classroom  
38 instruction.

1 (2) Instruction shall be based on skills, knowledge, attitudes,  
2 and performance levels in the area of cosmetology for which the  
3 instruction is conducted.

4 (3) An extern may perform only acts listed within the definition  
5 of the practice of cosmetology as provided in Section 7316, if a  
6 licensee directly supervises those acts, except that an extern may  
7 not use or apply chemical treatments unless the extern has received  
8 appropriate training in application of those treatments from an  
9 approved cosmetology school. An extern may work on a paying  
10 client only in an assisting capacity and only with the direct and  
11 immediate supervision of a licensee.

12 (4) The extern shall not perform any work in a manner that  
13 would violate law.

14 ~~SEC. 8:~~

15 *SEC. 27.* Section 7401 of the Business and Professions Code  
16 is amended to read:

17 7401. (a) An individual licensed pursuant to Section 7396  
18 shall report to the board at the time of license renewal, his or her  
19 practice status, designated as one of the following:

- 20 (1) Full-time practice in California.
- 21 (2) Full-time practice outside of California.
- 22 (3) Part-time practice in California.
- 23 (4) Not working in the industry.
- 24 (5) Retired.
- 25 (6) Other practice status, as may be further defined by the board.

26 (b) An individual licensed pursuant to Section 7396 shall, at the  
27 time of license renewal, identify himself or herself on the  
28 application as one of the following:

- 29 (1) Employee.
- 30 (2) Independent contractor or booth renter.
- 31 (3) Salon owner.

32 (c) An individual licensed pursuant to Section 7347 shall report  
33 to the board at the time of license renewal, whether either of the  
34 following is applicable to him or her:

- 35 (1) He or she has a booth renter operating in the establishment.
- 36 (2) He or she has an independent contractor operating in the  
37 establishment.

38 ~~SEC. 9:~~

39 *SEC. 28.* Section 7402.5 is added to the Business and  
40 Professions Code, to read:

1 7402.5. (a) For purposes of this section, a “personal service  
2 permit” means a permit that authorizes an individual to perform  
3 services, for which he or she holds a license pursuant to this  
4 chapter, outside of an establishment, as defined in Section 7346,  
5 in accordance with the regulations established by the board.

6 (b) The board may issue a personal service permit to an  
7 individual who meets the criteria for a personal service permit set  
8 forth in regulation.

9 (c) The board shall issue regulations regarding a personal service  
10 permit. In establishing the regulations, the board shall hold, at a  
11 minimum, two stakeholder meetings.

12 (1) The board shall determine the appropriate licensing  
13 categories that may apply for a personal service permit in order to  
14 protect consumer safety.

15 (2) The board shall authorize a personal service permit holder  
16 to perform services outside of a licensed establishment.

17 (3) The board shall not exempt a personal service permit holder  
18 from any of the board’s existing regulations or requirements on  
19 health and safety.

20 (4) The board shall not require a personal service permit holder  
21 to be employed by an establishment, unless the board determines  
22 that it would be necessary in order to maintain consumer safety.

23 (5) The regulations may require an applicant for a personal  
24 service permit to have proof of liability insurance and to pass a  
25 criminal background clearance.

26 (d) A personal service permit shall be valid for two years and  
27 shall be renewed prior to expiration. The fee for a personal service  
28 permit shall be no greater than fifty dollars (\$50). The fee for the  
29 renewal of a personal service permit shall be no greater than fifty  
30 dollars (\$50). The delinquency fee shall be 50 percent of the  
31 renewal fee in effect on the date of the renewal.

32 (e) The board shall report on the progress of the regulatory  
33 process and issuance of personal service permits to the Legislature  
34 on or before July 1, 2017.

35 (1) The report shall be submitted in compliance with Section  
36 9795 of the Government Code.

37 (2) The requirement to report to the Legislature under this  
38 subdivision is inoperative on July 1, 2021, pursuant to Section  
39 10231.5 of the Government Code.

1 ~~SEC. 10.~~

2 *SEC. 29.* Section 7404 of the Business and Professions Code  
3 is amended to read:

4 7404. The grounds for disciplinary action are as follows:

5 (a) Unprofessional conduct which includes, but is not limited  
6 to, any of the following:

7 (1) Incompetence or gross negligence, including failure to  
8 comply with generally accepted standards for the practice of  
9 barbering, cosmetology, or electrology or disregard for the health  
10 and safety of patrons.

11 (2) Repeated similar negligent acts.

12 (3) Conviction of any crime substantially related to the  
13 qualifications, functions, or duties of the licenseholder, in which  
14 case, the records of conviction or a certified copy shall be  
15 conclusive evidence thereof.

16 (4) Advertising by means of knowingly false or deceptive  
17 statements.

18 (b) Failure to comply with the requirements of this chapter.

19 (c) Failure to comply with the rules governing health and safety  
20 adopted by the board and approved by the State Department of  
21 Public Health, for the regulation of establishments, or any practice  
22 licensed and regulated under this chapter.

23 (d) Failure to comply with the rules adopted by the board for  
24 the regulation of establishments, or any practice licensed and  
25 regulated under this chapter.

26 (e) Continued practice by a person knowingly having an  
27 infectious or contagious disease.

28 (f) Habitual drunkenness, habitual use of or addiction to the use  
29 of any controlled substance.

30 (g) Obtaining or attempting to obtain practice in any occupation  
31 licensed and regulated under this chapter, or money, or  
32 compensation in any form, by fraudulent misrepresentation.

33 (h) Failure to display the license or health and safety rules and  
34 regulations in a conspicuous place.

35 (i) Engaging, outside of a licensed establishment and for  
36 compensation in any form whatever, in any practice for which a  
37 license is required under this chapter, except that when the service  
38 is provided because of illness or other physical or mental  
39 incapacitation of the recipient of the service and when performed

1 by a licensee obtained for the purpose from a licensed  
2 establishment.

3 (j) Permitting a license to be used where the holder is not  
4 personally, actively, and continuously engaged in business.

5 (k) The making of any false statement as to a material matter  
6 in any oath or affidavit, which is required by the provisions of this  
7 chapter.

8 (l) Refusal to permit or interference with an inspection  
9 authorized under this chapter.

10 (m) Any action or conduct which would have warranted the  
11 denial of a license.

12 (n) Failure to surrender a license that was issued in error or by  
13 mistake.

14 ~~SEC. 11.~~

15 *SEC. 30.* Section 7407 of the Business and Professions Code  
16 is amended to read:

17 7407. The board shall establish by regulation a schedule of  
18 administrative fines for violations of this chapter. All moneys  
19 collected under this section shall be deposited in the board's  
20 contingent fund.

21 The schedule shall indicate for each type of violation whether,  
22 in the board's discretion, the violation can be corrected. The board  
23 shall ensure that it and the Bureau for Private Postsecondary  
24 Education do not issue citations for the same violation.

25 *SEC. 31. 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 ~~home page~~ *homepage* of the Internet  
24 ~~Web site~~ *site with a word or combination of words, including, but*  
25 *not limited to, "goods," "merchandise," "products," or*  
26 *"services."*

27 (3) An establishment that posts on its Internet Web site home  
28 page the words "price information" or a similar phrase that includes  
29 the word "price," with a link that leads to the establishment's  
30 general price list, need not comply with paragraphs (1) or (2).

31 (4) Nothing in this subdivision shall be construed to affect an  
32 establishment's obligations under federal or state law effective  
33 prior to January 1, 2013.

34 (5) This subdivision shall become operative on January 1, 2013.

35 *SEC. 32. Section 7818 of the Business and Professions Code*  
36 *is amended to read:*

37 7818. The board, pursuant to the provisions contained in  
38 ~~Chapter 4.5 3.5 (commencing with Section 11371) 11340~~ of Part  
39 1 of Division 3 of Title 2 of the Government Code, may adopt,

1 amend or repeal rules and regulations to carry out the provisions  
2 of this chapter.

3 *SEC. 33. Section 8508 of the Business and Professions Code*  
4 *is amended to read:*

5 8508. “Household” means any structure and its contents ~~which~~  
6 *that are used for ~~man and his~~ persons and their convenience.*

7 *SEC. 34. 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) The provisions of this section shall be applicable only to~~  
2 ~~those registered companies, as defined in Section 8506.1, operating~~  
3 ~~pursuant to a Branch 1 or Branch 3 registration.~~

4 ~~(g)~~

5 (f) A violation of the provisions of this section is a ground for  
6 disciplinary action.

7 *SEC. 35. Section 8516.5 of the Business and Professions Code*  
8 *is repealed.*

9 ~~8516.5. Any registered company that makes an inspection of~~  
10 ~~any property relating to the absence or presence of wood destroying~~  
11 ~~pests or organisms on such property and makes a report of such~~  
12 ~~inspection shall furnish a copy of the report either to the owner of~~  
13 ~~the property or to the agent of the owner, within 10 working days~~  
14 ~~after the date the inspection is commenced, except an inspection~~  
15 ~~report prepared for use by an attorney for litigation is not required~~  
16 ~~to be furnished.~~

17 *SEC. 36. Section 8552 of the Business and Professions Code*  
18 *is amended to read:*

19 8552. It is unlawful for any person to advertise or represent in  
20 any manner that any pest control work, in whole or in part, has  
21 been done upon any structure, unless the work has been performed  
22 by a ~~company registered under~~ *registered company, except as*  
23 *otherwise provided in this chapter.*

24 *SEC. 37. Section 8611 of the Business and Professions Code*  
25 *is amended to read:*

26 8611. (a) Each branch office shall have a branch supervisor  
27 designated by the registered company to supervise and assist the  
28 company's employees who are located at that branch. The branch  
29 supervisor shall be an individual who is licensed by the board as  
30 an operator or a field representative *in the branch or branches of*  
31 *business being conducted* and his or her license shall be  
32 prominently displayed in the branch office.

33 (b) If a branch supervisor ceases for any reason to be connected  
34 with a registered company, the company shall notify the registrar  
35 in writing within 10 days from that cessation. If this notice is given,  
36 the company's branch office registration shall remain in force for  
37 a reasonable length of time to be determined by rules of the board,  
38 during which period the company shall submit to the registrar in  
39 writing the name of another qualified branch supervisor.

1 SEC. 38. Section 17913 of the Business and Professions Code  
2 is amended to read:

3 17913. (a) The fictitious business name statement shall contain  
4 all of the information required by this subdivision and shall be  
5 substantially in the following form:  
6

7 FICTITIOUS BUSINESS NAME STATEMENT

8 The following person (persons) is (are) doing business as

9 \* \_\_\_\_\_

10 at \*\* \_\_\_\_\_:

11 \*\*\* \_\_\_\_\_

12 \_\_\_\_\_

13 \_\_\_\_\_

14 \_\_\_\_\_

15 This business is conducted by \*\*\*\* \_\_\_\_\_

16 The registrant commenced to transact business under the fictitious business  
17 name or names listed above on

18 \*\*\*\*\* \_\_\_\_\_

19 I declare that all information in this statement is true and correct. (A registrant  
20 who declares as true any material matter pursuant to Section 17913 of the  
21 Business and Professions Code that the registrant knows to be false is guilty  
22 of a misdemeanor punishable by a fine not to exceed one thousand dollars  
23 (\$1,000).)

24 Registrant signature \_\_\_\_\_

25 Statement filed with the County Clerk of \_\_\_\_ County on \_\_\_\_\_

26  
27 NOTICE—IN ACCORDANCE WITH SUBDIVISION (a) OF  
28 SECTION 17920, A FICTITIOUS NAME STATEMENT  
29 GENERALLY EXPIRES AT THE END OF FIVE YEARS FROM  
30 THE DATE ON WHICH IT WAS FILED IN THE OFFICE OF  
31 THE COUNTY CLERK, EXCEPT, AS PROVIDED IN  
32 SUBDIVISION (b) OF SECTION 17920, WHERE IT EXPIRES  
33 40 DAYS AFTER ANY CHANGE IN THE FACTS SET FORTH  
34 IN THE STATEMENT PURSUANT TO SECTION 17913  
35 OTHER THAN A CHANGE IN THE RESIDENCE ADDRESS  
36 OF A REGISTERED OWNER. A NEW FICTITIOUS BUSINESS  
37 NAME STATEMENT MUST BE FILED BEFORE THE  
38 EXPIRATION.

39 THE FILING OF THIS STATEMENT DOES NOT OF ITSELF  
40 AUTHORIZE THE USE IN THIS STATE OF A FICTITIOUS

1 BUSINESS NAME IN VIOLATION OF THE RIGHTS OF  
2 ANOTHER UNDER FEDERAL, STATE, OR COMMON LAW  
3 (SEE SECTION 14411 ET SEQ., BUSINESS AND  
4 PROFESSIONS CODE).

5  
6 (b) The fictitious business name statement shall contain the  
7 following information set forth in the manner indicated in the form  
8 provided by subdivision (a):

9 (1) Where the asterisk (\*) appears in the form, insert the  
10 fictitious business name or names. Only those businesses operated  
11 at the same address and under the same ownership may be listed  
12 on one fictitious business name statement.

13 (2) Where the two asterisks (\*\*) appear in the form: If the  
14 registrant has a place of business in this state, insert the street  
15 address, and county, of his or her principal place of business in  
16 this state. If the registrant has no place of business in this state,  
17 insert the street address, and county, of his or her principal place  
18 of business outside this state.

19 (3) Where the three asterisks (\*\*\*) appear in the form: If the  
20 registrant is an individual, insert his or her full name and residence  
21 address. If the registrants are a married couple, insert the full name  
22 and residence address of both parties to the marriage. If the  
23 registrant is a general partnership, copartnership, joint venture, or  
24 limited liability partnership, insert the full name and residence  
25 address of each general partner. If the registrant is a limited  
26 partnership, insert the full name and residence address of each  
27 general partner. If the registrant is a limited liability company,  
28 insert the name and address of the limited liability company, as  
29 set out in its articles of organization on file with the California  
30 Secretary of State, and the state of organization. If the registrant  
31 is a trust, insert the full name and residence address of each trustee.  
32 If the registrant is a corporation, insert the name and address of  
33 the corporation, as set out in its articles of incorporation on file  
34 with the California Secretary of State, and the state of  
35 incorporation. If the registrants are state or local registered  
36 domestic partners, insert the full name and residence address of  
37 each domestic partner. If the registrant is an unincorporated  
38 association other than a partnership, insert the name of each person  
39 who is interested in the business of the association and whose

1 liability with respect to the association is substantially the same  
2 as that of a general partner.

3 (4) Where the four asterisks (\*\*\*\*) appear in the form, insert  
4 whichever of the following best describes the nature of the  
5 business: (i) “an individual,” (ii) “a general partnership,” (iii) “a  
6 limited partnership,” (iv) “a limited liability company,” (v) “an  
7 unincorporated association other than a partnership,” (vi) “a  
8 corporation,” (vii) “a trust,” (viii) “copartners,” (ix) ~~“a~~ “a married  
9 couple,” (x) “joint venture,” (xi) “state or local registered domestic  
10 partners,” or (xii) “a limited liability partnership.”

11 (5) Where the five asterisks (\*\*\*\*\* ) appear in the form, insert  
12 the date on which the registrant first commenced to transact  
13 business under the fictitious business name or names listed, if  
14 already transacting business under that name or names. If the  
15 registrant has not yet commenced to transact business under the  
16 fictitious business name or names listed, insert the statement, “Not  
17 applicable.”

18 (c) The registrant shall declare that all of the information in the  
19 fictitious business statement is true and correct. A registrant who  
20 declares as true any material matter pursuant to this section that  
21 the registrant knows to be false is guilty of a misdemeanor  
22 punishable by a fine not to exceed one thousand dollars (\$1,000).

23 (d) (1) At the time of filing of the fictitious business name  
24 statement, the registrant filing on behalf of the registrant shall  
25 present personal identification in the form of a California driver’s  
26 license or other government identification acceptable to the county  
27 clerk to adequately determine the identity of the registrant filing  
28 on behalf of the registrant as provided in subdivision (e) and the  
29 county clerk may require the registrant to complete and sign an  
30 affidavit of identity.

31 (2) In the case of a registrant utilizing an agent for submission  
32 of the registrant’s fictitious business name statement for filing, at  
33 the time of filing of the fictitious business name statement, the  
34 agent filing on behalf of the registrant shall present personal  
35 identification in the form of a California driver’s license or other  
36 government identification acceptable to the county clerk to  
37 adequately determine the identity of the agent filing on behalf of  
38 the registrant as provided in subdivision (e). The county clerk may  
39 also require the agent to submit a notarized statement signed by

1 the registrant declaring the registrant has authorized the agent to  
2 submit the filing on behalf of the registrant.

3 (e) If the registrant is a corporation, a limited liability company,  
4 a limited partnership, or a limited liability partnership, the county  
5 clerk may require documentary evidence issued by the *California*  
6 Secretary of State and deemed acceptable by the county clerk,  
7 indicating the current existence and good standing of that business  
8 entity to be attached to a completed and notarized affidavit of  
9 identity, for purposes of subdivision (d).

10 (f) The county clerk may require a registrant that mails a  
11 fictitious business name statement to a county clerk's office for  
12 filing to submit a completed and notarized affidavit of identity. A  
13 registrant that is a corporation, limited liability company, limited  
14 partnership, or limited liability partnership, if required by the  
15 county clerk to submit an affidavit of identity, shall also submit  
16 documentary evidence issued by the *California* Secretary of State  
17 indicating the current existence and good standing of that business  
18 entity.

19 (g) A county clerk that chooses to establish procedures pursuant  
20 to this section shall prescribe the form of affidavit of identity for  
21 filing by a registrant in that county.

22 *SEC. 39. Section 13995.40 of the Government Code is amended*  
23 *to read:*

24 13995.40. (a) Upon approval of the initial referendum, the  
25 office shall establish a nonprofit mutual benefit corporation named  
26 the California Travel and Tourism Commission. The commission  
27 shall be under the direction of a board of commissioners, which  
28 shall function as the board of directors for purposes of the  
29 Nonprofit Corporation Law.

30 (b) The board of commissioners shall consist of 37  
31 commissioners comprising the following:

32 (1) The director, who shall serve as chairperson.

33 (2) (A) Twelve members, who are professionally active in the  
34 tourism industry, and whose primary business, trade, or profession  
35 is directly related to the tourism industry, shall be appointed by  
36 the Governor. Each appointed commissioner shall represent only  
37 one of the 12 tourism regions designated by the office, and the  
38 appointed commissioners shall be selected so as to represent, to  
39 the greatest extent possible, the diverse elements of the tourism

1 industry. Appointed commissioners are not limited to individuals  
2 who are employed by or represent assessed businesses.

3 (B) If an appointed commissioner ceases to be professionally  
4 active in the tourism industry or his or her primary business, trade,  
5 or profession ceases to be directly related to the tourism industry,  
6 he or she shall automatically cease to be an appointed  
7 commissioner 90 days following the date on which he or she ceases  
8 to meet both of the eligibility criteria specified in subparagraph  
9 (A), unless the commissioner becomes eligible again within that  
10 90-day period.

11 (3) Twenty-four elected commissioners, including at least one  
12 representative of a travel agency or tour operator that is an assessed  
13 business.

14 (c) The commission established pursuant to Section 15364.52  
15 shall be inoperative so long as the commission established pursuant  
16 to this section is in existence.

17 (d) Elected commissioners shall be elected by industry category  
18 in a referendum. Regardless of the number of ballots received for  
19 a referendum, the nominee for each commissioner slot with the  
20 most weighted votes from assessed businesses within that industry  
21 category shall be elected commissioner. In the event that an elected  
22 commissioner resigns, dies, or is removed from office during his  
23 or her term, the commission shall appoint a replacement from the  
24 same industry category that the commissioner in question  
25 represented, and that commissioner shall fill the remaining term  
26 of the commissioner in question. The number of commissioners  
27 elected from each industry category shall be determined by the  
28 weighted percentage of assessments from that category.

29 (e) The director may remove any elected commissioner  
30 following a hearing at which the commissioner is found guilty of  
31 abuse of office or moral turpitude.

32 (f) (1) The term of each elected commissioner shall commence  
33 July 1 of the year next following his or her election, and shall  
34 expire on June 30 of the fourth year following his or her election.  
35 If an elected commissioner ceases to be employed by or with an  
36 assessed business in the category and segment which he or she  
37 was representing, his or her term as an elected commissioner shall  
38 automatically terminate 90 days following the date on which he  
39 or she ceases to be so employed, unless, within that 90-day period,

1 the commissioner again is employed by or with an assessed  
2 business in the same category and segment.

3 (2) Terms of elected commissioners that would otherwise expire  
4 effective December 31 of the year during which legislation adding  
5 this subdivision is enacted shall automatically be extended until  
6 June 30 of the following year.

7 (g) With the exception of the director, no commissioner shall  
8 serve for more than two consecutive terms. For purposes of this  
9 subdivision, the phrase “two consecutive terms” shall not include  
10 partial terms.

11 (h) Except for the original commissioners, all commissioners  
12 shall serve four-year terms. One-half of the commissioners  
13 originally appointed or elected shall serve a two-year term, while  
14 the remainder shall serve a four-year term. Every two years  
15 thereafter, one-half of the commissioners shall be appointed or  
16 elected by referendum.

17 (i) The selection committee shall determine the initial slate of  
18 candidates for elected commissioners. Thereafter the  
19 commissioners, by adopted resolution, shall nominate a slate of  
20 candidates, and shall include any additional candidates complying  
21 with the procedure described in Section 13995.62.

22 (j) The commissioners shall elect a vice chairperson from the  
23 elected commissioners.

24 (k) The commission may lease space from the office.

25 (l) The commission and the office shall be the official state  
26 representatives of California tourism.

27 ~~(m) A California location shall be available for all commission~~  
28 ~~meetings.~~

29 *(m) (1) All commission meetings shall be held in California.*

30 *(2) Commissioners may participate in meetings by means of*  
31 *conference telephone and other technology.*

32 (n) No person shall receive compensation for serving as a  
33 commissioner, but each commissioner shall receive reimbursement  
34 for reasonable expenses incurred while on authorized commission  
35 business.

36 (o) Assessed businesses shall vote only for commissioners  
37 representing their industry category.

38 (p) Commissioners shall comply with the requirements of the  
39 Political Reform Act of 1974 (Title 9 (commencing with Section  
40 81000)). The Legislature finds and declares that commissioners

1 appointed or elected on the basis of membership in a particular  
2 tourism segment are appointed or elected to represent and serve  
3 the economic interests of those tourism segments and that the  
4 economic interests of these members are the same as those of the  
5 public generally.

6 (q) Commission meetings shall be subject to the requirements  
7 of the Bagley-Keene Open Meeting Act (Article 9 (commencing  
8 with Section 11120) of Chapter 1 of Part 1).

9 (r) The executive director of the commission shall serve as  
10 secretary to the commission, a nonvoting position, and shall keep  
11 the minutes and records of all commission meetings.

12 *SEC. 40. No reimbursement is required by this act pursuant*  
13 *to Section 6 of Article XIII B of the California Constitution because*  
14 *the only costs that may be incurred by a local agency or school*  
15 *district will be incurred because this act creates a new crime or*  
16 *infraction, eliminates a crime or infraction, or changes the penalty*  
17 *for a crime or infraction, within the meaning of Section 17556 of*  
18 *the Government Code, or changes the definition of a crime within*  
19 *the meaning of Section 6 of Article XIII B of the California*  
20 *Constitution.*



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**CBA Item IV.F.**  
September 17-18, 2015

## **Update on the California Board of Accountancy 2013-2015 Communications and Outreach Plan**

**Presented by:** Written Report Only

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### **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**

Licensees and applicants have been issued postcards to notify them regarding the CBA's Study on Attest Experience. The postcard requests that the recipient provide feedback regarding the 500-hour attest experience requirement for CPA licensure and includes information on accessing the survey. The goal is to solicit a significant response to the survey, which will close on October 31, 2015.

Staff from the CBA's Licensing Division will be attending a CPA Workshop (Workshop) event hosted by the Accounting Society at California State University, Sacramento on October 8, 2015. The Workshop will provide an opportunity for students to ask questions as they review the requirements needed for either the Uniform CPA Examination or CPA licensure. The Accounting Society anticipates approximately 100 students will attend.

### **Publications**

Work is underway on the Fall edition of the CBA's UPDATE publication. This edition will include articles on:

## Update on the California Board of Accountancy 2013-2015 Communications and Outreach Plan

Page 2 of 2

- Retired Status
- Update on the Attest Study
- Peer Review
- What to Do if a Complaint is Filed Against You
- CBA's 2014-15 Annual Report

The UPDATE should be posted to the CBA website by late October and mailed by mid-November. Please notify CBA staff should any member have an idea regarding an article for a future edition of UPDATE.

### E-News

The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest.

<b>E-News Subscriptions</b>	<b>External</b>	<b>Internal</b>	<b>Total</b>
Consumer Interest	4,488	65	4,539
Examination Applicant	2,932	50	2,978
Licensing Applicant	3,570	55	3,617
California Licensee	9,606	61	9,652
Out-Of-State Licensee	2,354	55	2,399
Statutory/Regulatory	7,762	71	7,823
CBA Meeting Information & Agenda Materials	3,672	52	3,711
Update Publication	7,372	34	7,393
<b>Total Subscriptions</b>	<b>41,756</b>	<b>443</b>	<b>42,144</b>
<b>Total Subscribers</b>	<b>13,342</b>	<b>84</b>	<b>13,358</b>

### Social Media

The CBA currently has 3,018 fans on Facebook, 1,661 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 Launches Study of California's Attest Experience Requirement" on August 11, 2015.

### 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 V.B.2.**  
September 17-18, 2015

## **Approval of the 2016 Qualifications Committee Meeting Dates**

**Presented by:** Robert Ruehl, CPA, Chair, Qualifications Committee

---

### **Purpose of the Item**

The purpose of this agenda item is to request that the California Board of Accountancy (CBA) approve the 2016 Qualifications Committee (QC) meeting dates. A copy of the CBA 2016 Meeting Dates/Locations calendar is provided for reference (**Attachment**).

### **Action(s) Needed**

The QC is requesting the CBA approve the 2016 meeting dates.

### **Background**

None.

### **Comments**

At its July 2015 meeting, the QC approved the following meeting dates and locations:

- January 20, 2016 – Southern California
- April 27, 2016 – Northern California
- July 27, 2016 – Southern California
- October 19, 2016 – Northern California

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

The QC recommends approval of the meeting dates.

### **Attachment**

CBA 2016 Meeting Dates/Locations Calendar

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
2016 MEETING DATES/LOCATIONS CALENDAR  
(CBA MEMBER COPY)**

**JANUARY 2016**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20 SC	21 SC	22 SC	23
24	25	26	27	28	29	30
31						

**FEBRUARY 2016**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29					

**MARCH 2016**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17 NC	18 NC	19
20	21	22	23	24	25	26
27	28	29	30	31		

**APRIL 2016**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27 NC	28	29	30

**MAY 2016**

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19 SC	20 SC	21
22	23	24	25	26	27	28
29	30	31				

**JUNE 2016**

S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

**JULY 2016**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21 NC	22	23
24	25	26	27 SC	28	29	30
31						

**AUGUST 2016**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

**SEPTEMBER 2016**

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15 SC	16 SC	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

**OCTOBER 2016**

S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19 NC	20	21	22
23	24	25	26	27	28	29
30	31					

**NOVEMBER 2016**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17 NC	18 NC	19
20	21	22	23	24	25	26
27	28	29	30			

**DECEMBER 2016**

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

**GENERAL LOCATION**  
NC-NORTHERN CALIFORNIA  
SC-SOUTHERN CALIFORNIA

 CBA OFFICE CLOSED  
 CBA MEETING  
 QC MEETING



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**CBA Item V.C.2.**  
September 17-18, 2015

## **Approval of the 2016 Peer Review Oversight Committee Meeting Dates**

**Presented by:** Robert Lee, CPA, Peer Review Oversight Committee Chair

---

### **Purpose of the Item**

The purpose of this agenda item is to request that the California Board of Accountancy (CBA) approve the 2016 Peer Review Oversight Committee (PROC) meeting dates. A copy of the CBA 2016 Meeting Dates/Locations calendar is provided for reference (**Attachment**).

### **Action(s) Needed**

The PROC is requesting the CBA approve the 2016 meeting dates.

### **Background**

None.

### **Comments**

At its August 21, 2015, the PROC approved the following meeting dates and locations:

- January 29, 2016 – Northern California
- May 6, 2016 – Southern California
- August 19, 2016 – Northern California
- December 9, 2016 – Southern California

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendations**

The PROC recommends approval of the meeting dates.

### **Attachment**

CBA 2016 Meeting Dates/Locations Calendar

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
2016 MEETING DATES/LOCATIONS CALENDAR**  
(CBA MEMBER COPY)

Attachment

**JANUARY 2016**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21 SC	22 SC	23
24	25	26	27	28	29 NC	30
31						

**FEBRUARY 2016**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29					

**MARCH 2016**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17 NC	18 NC	19
20	21	22	23	24	25	26
27	28	29	30	31		

**APRIL 2016**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

**MAY 2016**

S	M	T	W	Th	F	S
1	2	3	4	5	6 SC	7
8	9	10	11	12	13	14
15	16	17	18	19 SC	20 SC	21
22	23	24	25	26	27	28
29	30	31				

**JUNE 2016**

S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

**JULY 2016**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21 NC	22	23
24	25	26	27	28	29	30
31						

**AUGUST 2016**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19 NC	20
21	22	23	24	25	26	27
28	29	30	31			

**SEPTEMBER 2016**

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15 SC	16 SC	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

**OCTOBER 2016**

S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

**NOVEMBER 2016**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17 NC	18 NC	19
20	21	22	23	24	25	26
27	28	29	30			

**DECEMBER 2016**

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9 SC	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

GENERAL LOCATION

NC-NORTHERN CALIFORNIA  
SC-SOUTHERN CALIFORNIA

ON SHADED DATES CBA OFFICE IS CLOSED  
CBA MEETING  
PROC MEETING

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

**Complaints**

<b>Complaints/Records of Convictions</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16</b> as of July 31, 2015
Received	3,255	2,702	148
<i>Internal – Peer Review (Failure to Respond)<sup>1</sup></i>	<i>1,481</i>	<i>0</i>	<i>0</i>
<i>Internal – Peer Review (Other)<sup>2</sup></i>	<i>411</i>	<i>449</i>	<i>7</i>
<i>Internal – All Other</i>	<i>969</i>	<i>1,799</i>	<i>98</i>
<i>External</i>	<i>394</i>	<i>454</i>	<i>43</i>
Assigned for Investigation	2,969	2,007	143
Closed – No Action	289	713	40
Average Days from Intake to Closure or Assignment for Investigation	4	4	7
Pending	0	0	25
Average Age of Pending Complaints (days)	0	0	9

<sup>1</sup> 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.

<sup>2</sup> 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) has received 148 complaints since the beginning of the new fiscal year, including 43 complaints received from outside sources.
- The top internal complaint continues to be conviction of a crime. The top external complaint is tax related.

# California Board of Accountancy Enforcement Activity Report

Report as of July 31, 2015

## Investigations

Investigations	FY 2013/14	FY 2014/15	FY 2015/16 as of July 31, 2015
Assigned	2,969	1,953	143
<i>Internal – Peer Review (Failure to Respond)<sup>1</sup></i>	1,481	0	0
<i>Internal – Peer Review (Other)</i>	407	439	23
<i>Internal – All Other</i>	740	1,140	85
<i>External</i>	341	374	35
Closed	2,669	1,773	121
Average Days to Close	74	167	171
Total Investigations Pending	825	1,081	1,098
<i>&lt; 18 Months</i>	774	973	961
<i>18-24 Months</i>	42	69	99
<i>&gt; 24 Months</i>	9	39	38
Average Age of Open Cases (days)	202	222	233
Median Age of Open Cases (days)	153	126	135

<sup>1</sup> 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 7 illustrates the percentage of open cases by length of time.

- The CBA has closed 121 investigations since the beginning of the fiscal year and the average age of open cases is 233 days.
- The CBA currently has 38 investigations, including 23 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:
  - One case has an investigative hearing scheduled for September 2, 2015.
  - Three cases have an Attorney General (AG) report completed and are under supervisor review.
  - Seven cases have investigative reports ready for supervisor review.
  - Six cases have reports in process.
  - Three cases have had a pre-citation letter sent.
  - 18 investigations are on-going.

## California Board of Accountancy Enforcement Activity Report

Report as of July 31, 2015

### Discipline

Attorney General Referrals	FY 2013/14	FY 2014/15	FY 2015/16 as of July 31, 2015
Referrals	74	97	8
Accusations Filed	34	47	5
Statements of Issues Filed	8	9	0
Petitions for Revocation of Probation Filed	2	0	0
Closed	31	63	15
<i>Via Stipulated Settlement</i>	21	55	13
<i>Via Proposed Decision</i>	4	2	0
<i>Via Default Decision</i>	6	6	2
Discipline Pending	95	119	112
<i>&lt; 18 Months</i>	82	110	103
<i>18-24 Months</i>	10	4	5
<i>&gt; 24 Months</i>	3	5	4

Chart B on Page 7 illustrates the percentage of cases pending at the AG's Office by length of time.

- There are four cases pending at the AG's Office for more than 24 months, all of which have been carried over from the last report. The current status of the cases 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.
  - One case has a settlement conference set for November 30, 2015.
  - One case has a hearing date set for May 2, 2016.
  - One case had a stipulated decision adopted, but did not take effect until August 29, 2015.

# California Board of Accountancy Enforcement Activity Report

Report as of July 31, 2015

## Citations and Fines

Citations	FY 2013/14	FY 2014/15	FY 2015/16 as of July 31, 2015
Total Citations Issued	1,522	348	23
Total Fines Assessed	\$399,020	\$119,387	\$12,250
Peer Review (Failure to Respond) <sup>1</sup>	1,481	0	0
<i>Peer Review Fines Assessed</i>	<i>\$370,250</i>	<i>\$0</i>	<i>\$0</i>
Other Citations	41	348	23
<i>Other Fines Assessed</i>	<i>\$28,770</i>	<i>\$119,387</i>	<i>\$12,250</i>
Other Fines Average	\$702	\$343	\$533
Average number of days from receipt of a complaint to issuance of a citation	33	142	157
Top 3 Violations Resulting in Citation			
1:	Response to CBA Inquiry (Reg 52)	CE Basic Requirements (Reg 87)	Fingerprinting & Disclosure (Reg 37.5)
2:	CE Basic Requirements (Reg 87)	Response to CBA Inquiry (Reg 52)	Response to CBA Inquiry (Reg 52)
3:	Name of Firm (BPC 5060)	Name of Firm (BPC 5060)	Name of Firm (BPC 5060)

<sup>1</sup> 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 current year 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 prior 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.
- Violation of Fingerprinting and Disclosure Requirements, CBA Regulations section 37.5, is currently the most common reason for issuance of a citation.

## California Board of Accountancy Enforcement Activity Report

Report as of July 31, 2015

### Probation Monitoring

Monitoring Activities	FY 2015/16 as of July 31, 2015
Number of Licensees on Probation as of Last Report	95
New Probationers	11
Total Number of Probationers	103
Out-of-State Probationers	9
Probation Orientations Held since Last Report	0

### Criminal Offender Record Information (CORI)

CORI Fingerprints <sup>1</sup>	FY 2014/15	FY 2015/16 as of July 31, 2015
Notification Letters Sent	19,715	1,636
CORI Compliances Received	11,971	1,115
Non-Compliance Notifications Sent (Audit)	742	44

CORI Enforcement Cases	FY 2014/15	FY 2015/16 as of July 31, 2015
Received	624	57
Assigned for Investigation	185	28
Closed – No Action	439	29
Non-Compliance Citations and Fines Issued	45	20
Referred to the Attorney General's Office	14	1

<sup>1</sup> 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.
- The fingerprint compliance rate has increased from 61 percent for fiscal year 2014/15 to 68 percent for the beginning of the current fiscal year.

# California Board of Accountancy Enforcement Activity Report

Report as of July 31, 2015

## **Mobility**

Enforcement Aspects of Mobility	FY 2014/15	FY 2015/16 as of July 31, 2015
Pre-Notification Forms Received	2	0
Cessation Event Forms Received	0	0
SEC Discipline Identified	27	12
PCAOB Discipline Identified	21	7
Out-of-State Accounting Firm Registrants That Reported Other Discipline	14	2
Complaints Against Practice Privilege Holders	11	3

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.

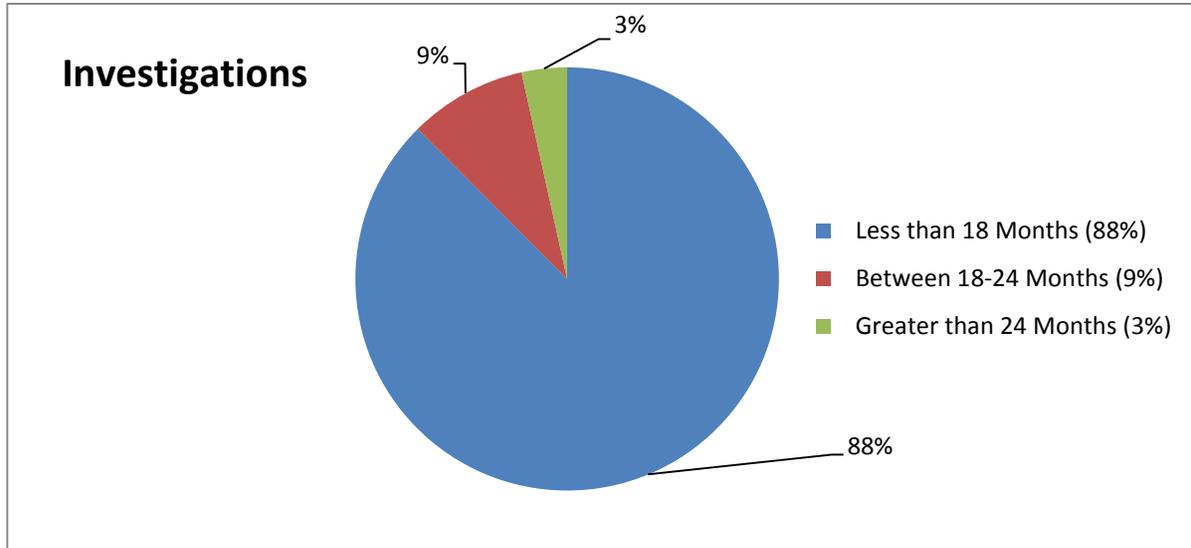
- The complaints against practice privilege holders include practice without permit, discipline by other states/governmental agencies, and practice complaints.
- Staff sends letters to all CPAs who were disciplined from either the Securities and Exchange Commission or the Public Company Accounting Oversight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

## **Division Highlights and Future Considerations**

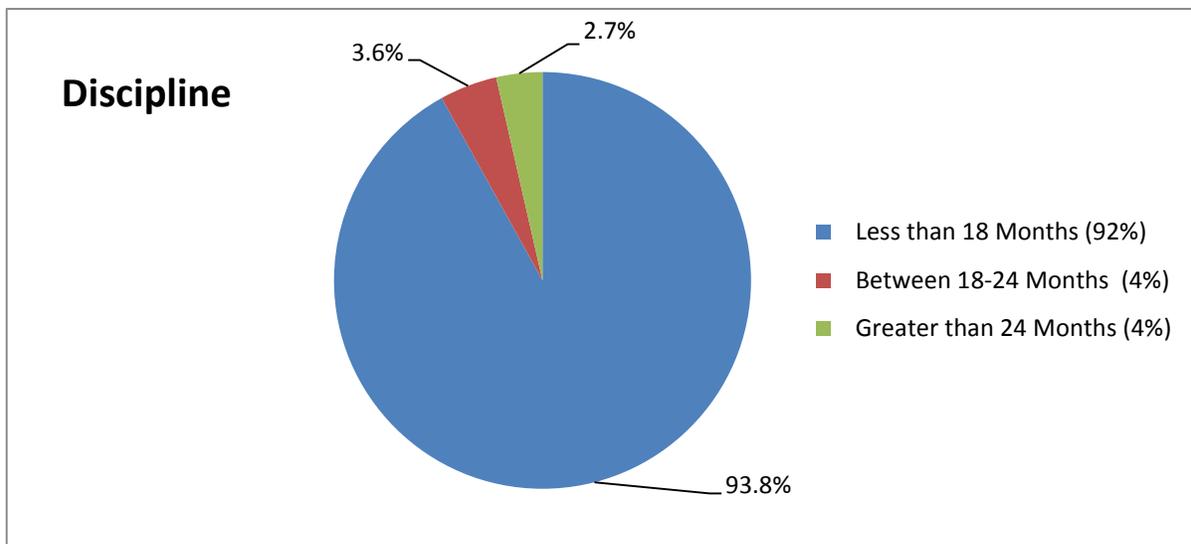
- Angela Wise joined the management team to oversee the Criminal Offender Record Information (CORI) Unit. The CORI Unit was created to coordinate the CBA's fingerprinting requirements.
- Malcolm Mitchell joined the management team to oversee the Discipline and Probation Monitoring Unit (DPM). The DPM Unit is tasked to perform initial caseload analysis and determine whether further investigation is required. The DPM Unit is also responsible for monitoring probation related caseloads.

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

**Chart A – Open Investigations as of July 31, 2015**



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





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**CBA Item VII.A.**  
September 17-18, 2015

## Licensing Activity Report

**Presented by:** Gina Sanchez, Licensing Division Chief

---

### Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an overview of the activities in the Licensing Division.

### Action(s) Needed

No specific action is required on this agenda item.

### Background

At the May and July 2015 CBA meetings, the CBA requested that additional information be provided in regards to the historical data from the Licensing Division. Specifically, the number of licensees, the number of first-time sitter examination applications, and the number of applications for licensure over the past 10 years.

### Comments

Staff has provided the CBA with an overview of the requested statistics for the past 10 years (**Attachment 1**). Information is also being provided regarding the CBA's oversight of the Uniform Certified Public Accountant Examination (CPA Exam) as it relates to the administering of the examination through Prometric test centers located in California (**Attachment 2**). Additionally, the Licensing Activity Report provides statistical information for the present fiscal year through July 31, 2015 (**Attachment 3**).

### Licensing Trend

In the attached charts, staff has provided an overview of CBA statistics relating to the number of licensees, and applications received for licensure and examination. As a way to relate the trend of CBA examination applications received, the national trend provided by the National Association of State Boards of Accountancy (NASBA) has been incorporated for comparison.

#### *CPA Licensee Population*

The number of licensees has seen a steady incline over the past 10 years with an average annual increase of 2,360.

## Licensing Activity Report

Page 2 of 3

### *CPA Applications Received for Licensure*

During the past 10 years there was a decrease in applications in fiscal year (FY) 2006-07 followed by an increase between FY 2007-08 and FY 2009-10, which then stabilized until FY 2013-14. This may have been attributed to the elimination of Pathway 0 which was announced in 2006 and took effect in 2010. The elimination of this pathway necessitated additional education for many applicants.

The significant increase in applications received in FY 2013-14 followed by the immediate decrease in applications during FY 2014-15 is likely attributed to the expiration of Pathways 1 and 2 and the new 2014 educational requirements, which necessitated additional education for many applicants.

Over the past 10 years, the average number of applications received for CPA licensure was 3,505 per year.

### *First-Time Sitter Examination Applicants*

Over the past 10 years, the number of first-time sitter examination applications has had a slight increase from FY 2005-06 to FY 2009-10. The slight decrease in the number of applications in FY 2010-11 may potentially be attributed to the revisions to the CPA Exam in 2011 including new questions pertaining to the International Financial Reporting Standards (IFRS).

Over the past 10 years, the average number of first-time sitter examination applications received was 7,173 per year.

### *National Trend for First-Time Sitter Examination Applicants*

When comparing the data to the national trend, it is interesting to note that California's trend line appears to be one year ahead of the rest of the nation. For example, California's peak in FY 2008-09 and 2009-10 and subsequent drop off is mirrored in the national peak in FY 2009-10 and 2010-11 and subsequent drop off. With California's newest spike in applications in FY 2014-15, it may be that the rest of the nation could see an increase in applications in FY 2015-16.

### Oversight of the CPA Examination

As part of the oversight responsibility of the CPA Exam, the CBA's contract with NASBA allows CBA representatives two programs to evaluate how Prometric testing sites administer the examination. In an effort to ensure Prometric adheres to proper security measures and follows policy and procedure, representatives of the CBA are encouraged to perform either Site Visits or participate in the Secret Shopper Program. There are 20 Prometric locations within California.

### *Site Visits*

Site visits allow CBA representatives to visit selected centers to evaluate Prometric staff, procedure and security measures. This may include check in/check out procedures, validation of identification, ensuring hardware is secure, and accessing any

## **Licensing Activity Report**

Page 3 of 3

special accommodations they have available. Prometric staff is not advised of the visit ahead of time and the visit may take up to an hour to complete.

### *Secret Shopper*

The Secret Shopper Program is prearranged through NASBA and allows CBA representatives to pose as an examination candidate in order to observe the administration of the CPA Exam, the examination data and the security of the examination. Prometric staff is unaware of the identity of the secret shopper thus will be treated as any other candidate. This visit can take anywhere from three to five hours.

Staff is seeking interest from CBA and committee members to perform either type of visit in the coming months. A letter will be sent to each member in September providing additional information along with a response form that identifies the type of visit and location(s) preferred. If interested, staff will work with NASBA to obtain the proper authorization and the participant will receive a packet containing the instructions and necessary forms required for conducting the visit. Upon completion of the visit, staff will review the evaluation and will work with NASBA to address any identified problems. In addition, staff will keep the CBA apprised of any outcomes.

### Licensing Activity Report

The Licensing Activity Report provides statistics from two previous fiscal years along with the statistics for the current fiscal year.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

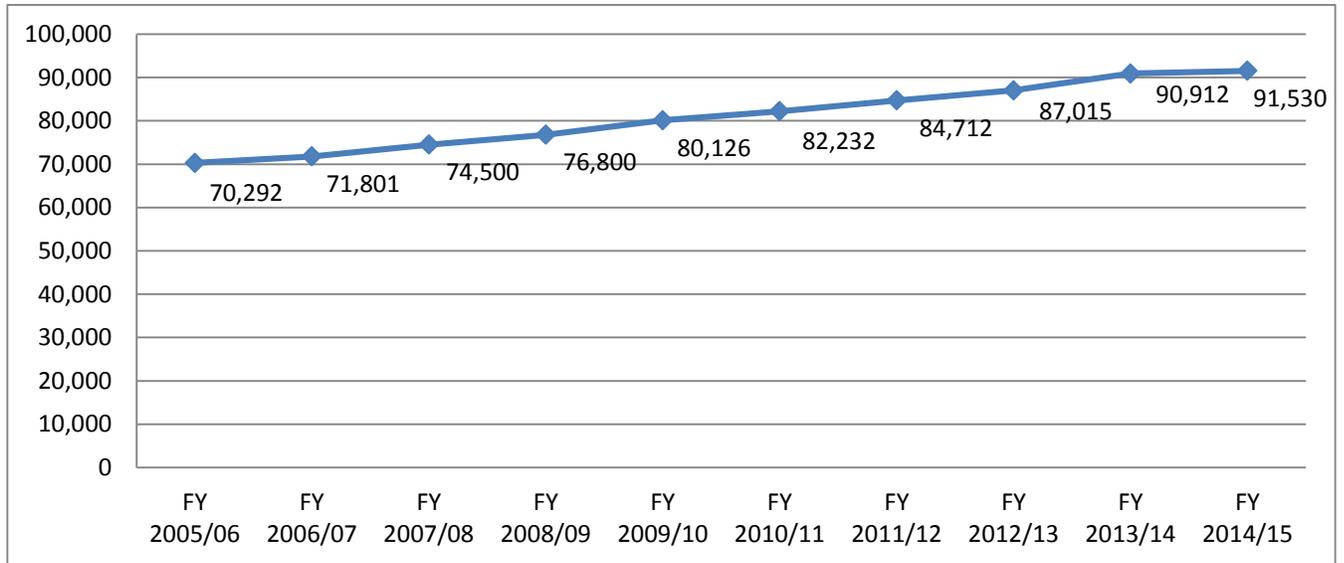
Staff does not have a recommendation on this agenda item.

### **Attachments**

1. Licensing Trend Charts
2. California Prometric Locations
3. Licensing Activity Report

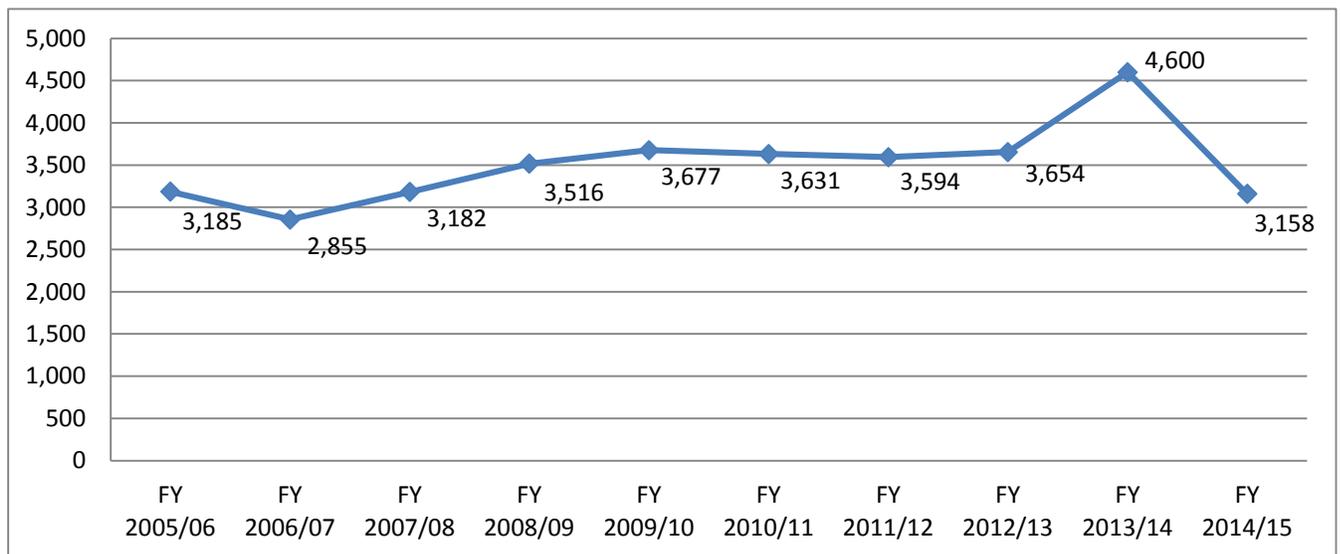
**Licensing Trend Charts**

**CPA Licensee Population**



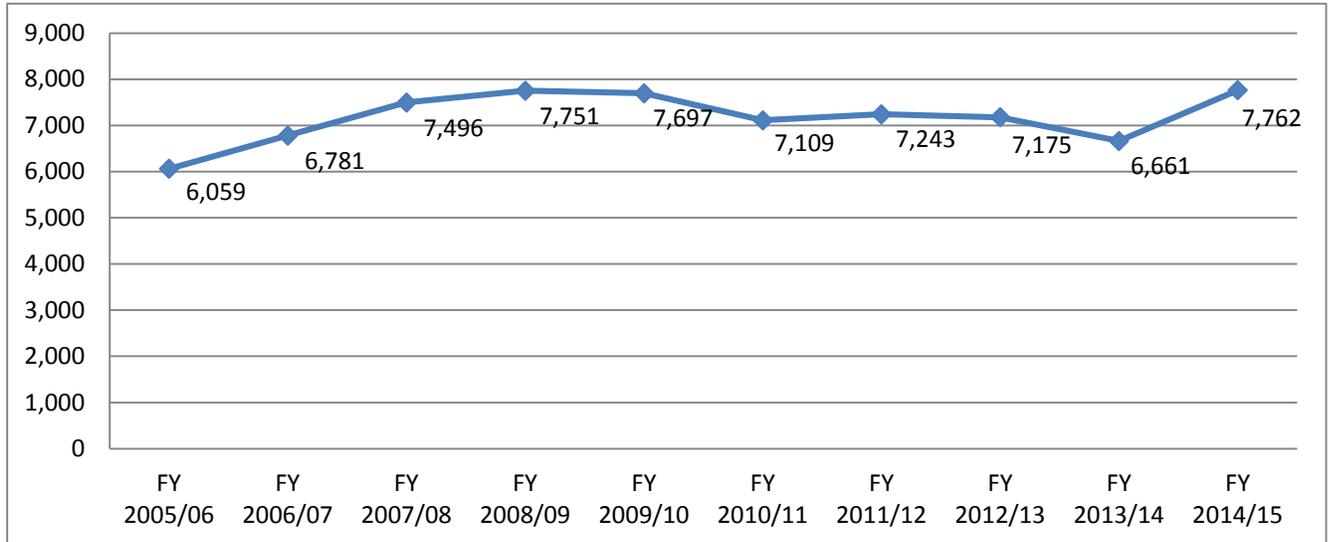
Average increase per year: 2,360.

**CPA Applications Received for Licensure**



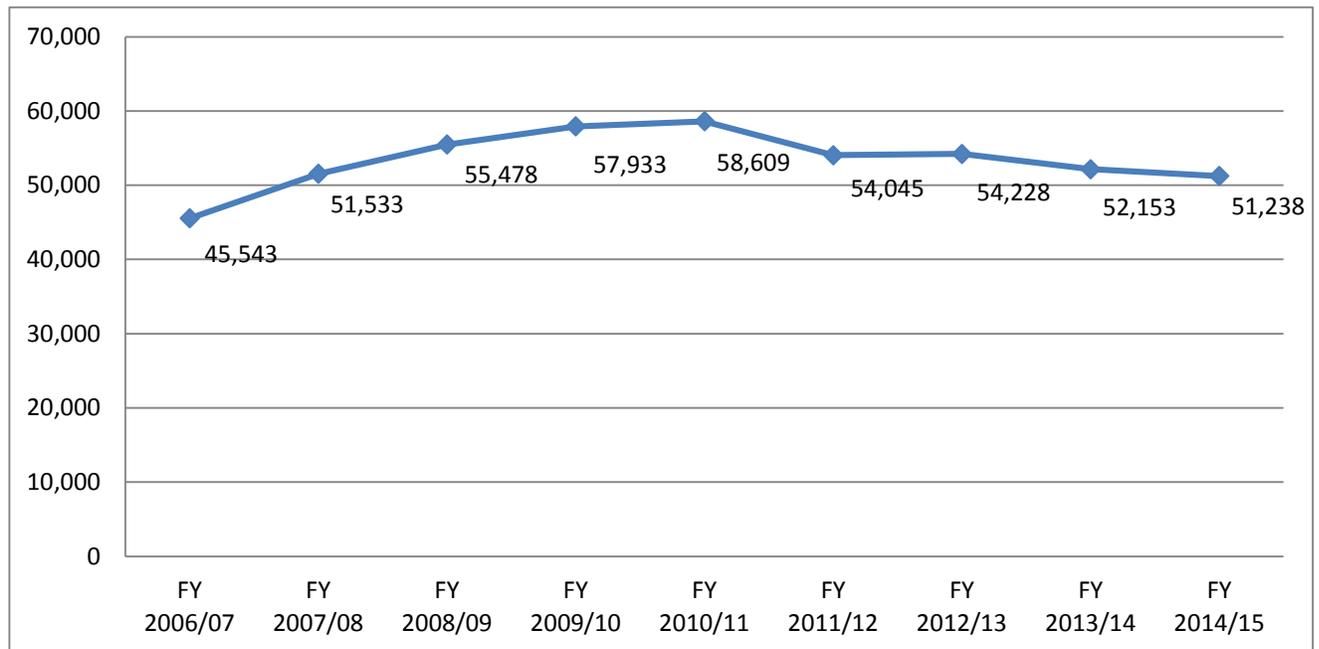
Average number of applications received per year: 3,505.

### First-Time Sitter Examination Applicants



Average number of applications received per year: 7,173.

### National Trend for First-Time Sitter Examination Applicants





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## Attachment 2

## CALIFORNIA PROMETRIC LOCATIONS

CITY	ADDRESS
Alameda	2412 Central Avenue
Anaheim/Anaheim Hills	1290 N. Hancock Street, Suite 250
Bakersfield	1800 30th Street - Westchester Corp Plaza Suite 360
Camarillo	400 West Ventura Blvd, Suite 130
Culver City	5601 W. Slauson Avenue, Suite 110
Diamond Bar	1241 South Grand Avenue Sunset Village Shopping Center, Suite F
Fresno	2540 W Shaw Lane, Suite 110A
Gardena	1045 W. Redondo Beach Boulevard
Glendale	701 North Brand Boulevard, Suite 210
Lake Forest	24551 Raymond Way, Suite 180
Rancho Cucamonga	7365 Carnelian Street, Suite 107
Redlands	413 East Palm Avenue
Sacramento/Fair Oaks	5330 Primrose Drive, Suite 200
San Bruno	801 Traeger Avenue, Suite 140
San Diego	5075 Shoreham Place, Suite 180
San Francisco	100 California Street, Suite 105 and 222 Kearny Street, Suite 603
San Jose	2665 North First Street, Suite 207
Santa Rosa	1360 North Dutton Street, Suite 100

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

Attachment 3

**Licensee Population**

<b>Type of License</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
CPA	90,912	91,530	91,689
PA	85	64	64
Partnership	1,460	1,490	1,493
Corporation	3,995	4,179	4,203

**Contact with CBA Stakeholders**

<b>Telephone Calls Received</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
Examination Unit	18,815	22,809	2,680
Initial Licensing Unit	27,889	22,993	2,020
License Renewal and Continuing Competency Unit	25,172	26,449	2,175
Practice Privilege Unit	663	468	39

<b>Emails Received</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
Examination Unit	10,867	13,121	1,372
Initial Licensing Unit	14,098	14,588	1,394
License Renewal and Continuing Competency Unit	14,488	19,258	1,521
Practice Privilege Unit	381	397	83

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

**Examination Unit**

- The Examination Unit is currently recruiting for two seasonal positions.
- The Examination Unit processed 1,471 first-time sitter applications during the month of July. This exceeded our previous high of 1,240 processed in July, 2012 by more than 230.

<b>CPA Examination Applications</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
<b>First-Time Sitter</b>			
Total Received	6,661	7,762	739
Total Approved	6,720	6,451	1,163
Average Days to Process	20	29	31
<b>Repeat Sitter</b>			
Total Received	17,044	17,802	1,121
Total Approved	17,455	15,791	1,477
Average Days to Process	6	9	8

<b>CPA Examination Special Requests</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
<b>Conditional Credit and Notice to Schedule Extensions*</b>			
Total Received	173	181	11
Total Completed	176	167	9
Average Days to Process	18	30	37
<b>Educational Qualification Appeals**</b>			
Total Received	50	29	2
Total Completed	52	27	25
Average Days to Process	22	21	13
<b>Special Accommodation Requests**</b>			
Total Received	172	194	10
Total Completed	178	182	22
Average Days to Process	12	18	20

\* 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 July 31, 2015**

**Initial Licensing Unit**

- The Initial Licensing Unit (ILU) recently filled two of its Program Technician II position vacancies. It is currently recruiting for two additional Program Technician II positions.
- ILU staff are working diligently in its outreach efforts to notify stakeholders regarding the attest study. The attest study launched August 11, 2015 and will continue through October 31, 2015.
- ILU is continuing its outreach efforts regarding the upcoming expiration to the extension of Pathway 1 and Pathway 2 on December 31, 2015. Most recently ILU staff mailed over 700 letters to applicants who passed the Uniform CPA examination prior to 2014 notifying them of the upcoming deadlines for document submission and providing them information regarding the current education requirements. Additionally, ILU staff incorporated verbiage regarding this in all status letters and updated the CBA website. ILU continues to use social media outlets such as UPDATE, Facebook and Twitter to keep applicants informed.

<b>Individual License Applications</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
<b>Certified Public Accountant</b>			
Total Received	4,600	3,158	287
Total Approved	4,906	2,682	240
Average Days to Process	24	24	22
<b>Method of Licensure</b>			
Pathway 0	0	0	0
Pathway 1 – attest	522	182	8
Pathway 1 – general	824	272	17
Pathway 2 – attest	928	320	21
Pathway 2 – general	2,560	921	65
New Requirements – attest*	17	245	34
New Requirements – general*	55	742	95

\* 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.

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

<b>Certification Requests</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
Total Received	1,039	1,051	92
Total Processed	972	1,042	86
Average Days to Process	22	20	18

<b>Firm License Applications</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
<b>Corporation</b>			
Total Received	210	272	15
Total Approved	200	208	26
Average Days to Process	17	16	20
<b>Partnership</b>			
Total Received	91	92	4
Total Approved	92	76	5
Average Days to Process	17	16	20
<b>Fictitious Name Permit</b>			
Total Received	183	120	9
Total Approved	139	87	11
Average Days to Process	17	16	20

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

**License Renewal and Continuing Competency Unit**

- The License Renewal and Continuing Competency Unit is recruiting to fill one limited-term Associate Governmental Program Analyst position, one permanent intermittent Program Technician II position, and one seasonal position.

<b>License Renewal</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
<b>Total Licenses Renewed</b>			
Certified Public Accountant	39,164	40,122	3,520
Public Accountant	12	14	0
Corporation	1,526	1,500	34
Partnership	572	525	90
<b>License Renewal Verification</b>			
CPA/PA Applications Reviewed	39,605	34,199	3,442
Deficient Applications Identified	5,659	9,725	684
Compliance Responses Received	4,128	8,821	718
Outstanding Deficiencies	1,510	1,848	1,667
<b>Top Three Renewal Deficiencies</b>			
1:	Peer Review Form <sup>1</sup>	Peer Review Form <sup>1</sup>	Peer Review Form <sup>1</sup>
2:	Renewal Application <sup>2</sup>	Renewal Application <sup>2</sup>	Renewal Application <sup>2</sup>
3:	Ethics CE <sup>3</sup>	Ethics CE <sup>3</sup>	Ethics CE <sup>3</sup>

-- 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/filed 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 July 31, 2015**

<b>License Renewal Related Activities</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
<b>CE Audits</b>			
Licenses Selected for Audit	855	900	75
Outstanding Audits	508	95	67
Compliance Letters Sent	347	1,297	64
<b>Enforcement Referrals*</b>			
	582	998	70
<b>Retired Status**</b>			
Applications Received	--	671	42
Applications Failing to Meet Minimum Qualifications	--	11	0
Applications Approved	--	660	27

\* 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**

<b>Practice Privilege</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>FY 2015/16 As of July 31</b>
<b>Out-of-State Accounting Firm Registrations</b>			
Approved	209	135	8
Pending Review	0	0	0
Pending Correction of Deficiencies	5	0	0
Enforcement Referrals	11	15	0



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**SPC Item III.**  
September 17, 2015

**CBA Item VIII.A.2.**  
September 17-18, 2015

## **Discussion and Possible Approval of the Draft 2016-2018 California Board of Accountancy Strategic Plan**

**Presented by:** Deanne Pearce, Assistant Executive Officer

---

### **Purpose of the Item**

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with the draft 2016-2018 CBA Strategic Plan (Strategic Plan) (**Attachment**).

### **Action(s) Needed**

The CBA will be asked to review the draft Strategic Plan and approve, direct staff to coordinate an additional Strategic Planning Workshop if necessary, or make any recommended changes and present for approval at the November 2015 CBA meeting.

### **Background**

Every three years, the CBA undertakes a process to review, update, and develop its Strategic Plan. The Strategic Plan serves as a guide in identifying goals and objectives to complete for future years in accordance with its consumer protection mandate.

At the March 2015 CBA meeting, direction was given to work with the Department of Consumer Affairs (DCA) Strategic Organization Leadership and Individual Development (SOLID) unit to initiate work on the CBA's 2016-18 Strategic Plan.

During May and June 2015, staff from DCA's SOLID unit, working with the CBA, conducted interviews with CBA members and surveys and focus groups with others including CBA Committee members, staff, and CBA stakeholders. Feedback was received from over 200 individuals.

The feedback received was incorporated into an Environmental Scan document used by the CBA during its July 2015 Strategic Planning Workshop. During the workshop, members agreed to retain the present mission, vision, values, and goals, but developed new objectives.

### **Comments**

Following the July 2015 CBA Strategic Planning workshop, the DCA SOLID unit incorporated all CBA member ideas and comments as objectives into the draft Strategic Plan.

## **Discussion and Possible Approval of the Draft 2016-2018 California Board of Accountancy Strategic Plan**

Page 2 of 2

Staff has made the following changes to further enhance the draft Strategic Plan:

- Organized the objectives to ensure they were placed under the most relevant goal
- Broadened the objective under Licensing regarding processing timeframes to relate to all applications, not only license renewal
- Added an objective regarding CBA member's ability to conduct outreach to stakeholders
- Added an objective regarding document imaging

In addition to the above, minor wording changes were made to ensure clarity and consistency throughout the Strategic Plan.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff does not believe an additional Strategic Planning Workshop is necessary. Staff recommend that the CBA approve the draft Strategic Plan or provide suggested changes for review and approval at the November 2015 CBA meeting.

### **Attachment**

Draft 2016-2018 California Board of Accountancy Strategic Plan



DRAFT

2016-2018



# Strategic Plan

Adopted:

## Members of the California Board of Accountancy

Jose A. Campos, CPA, President  
Katrina Salazar, CPA, Vice President  
Alicia Berhow, Secretary / Treasurer  
Sarah Anderson, CPA  
Herschel T. Elkins, Esq.  
Laurence Kaplan, Public Member  
Louise Kirkbride, Public Member  
Kay Ko, Public Member  
Leslie J. LaManna, CPA  
Xochitl A. León, Public Member  
Jian Ou-Yang, CPA  
Deidre Robinson, Public Member  
Michael M. Savoy, CPA  
Mark J. Silverman, Esq.  
Kathleen K. Wright, JD, CPA, LLM, MBA

Edmund G. Brown, Jr., Governor  
Anna M. Caballero, Secretary, Business, Consumer Services, and Housing Agency  
Awet Kidane, Director, Department of Consumer Affairs  
Patti Bowers, Executive Officer, California Board of Accountancy

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# Mission

To protect consumer by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

# Vision

All consumers are well-informed and receive quality accounting services from licensees they can trust.

# Values

**CONSUMER PROTECTION** – The CBA will make effective and informed decisions in the best interest and for the safety of consumers.

**INTEGRITY** – The CBA will act in an honest, ethical, and professional manner in all endeavors, and fully disclose all pertinent information.

**QUALITY AND PROFESSIONALISM** – The CBA will ensure that qualified, proficient and skilled staff provide services to CBA stakeholders. The CBA will deliver high quality service, information, and products that reflect excellence and professionalism.

**TRANSPARENCY** – The CBA will actively promote the sharing of ideas and information throughout the organization and with the public, and be receptive to new ideas.

**INITIATIVE** – The CBA will encourage creatively looking at problems and processes and actively seek solutions and improvements.

**RESPECT** – The CBA will be responsive, considerate, and courteous to all, both within and outside the organization.

**ACCOUNTABILITY** – The CBA will take ownership and responsibility for its actions and their results.

**TEAMWORK** – The CBA will promote cooperation and trust at all levels by working with and soliciting the ideas and opinions of CBA stakeholders.

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## About the California Board of Accountancy

From its inception in 1901, the California Board of Accountancy (CBA), by statute, has been charged with regulating the practice of public accounting. The original law prohibited anyone from falsely claiming to be a certified accountant, a mandate which still exists today.

The standards for licensure always have been high. The first accountants certified by the CBA in 1901 were required to sit for a written examination, including questions on Theory of Accounts, Practical Accounting, Auditing and Commerce Law, with a passage rate of at least seventy percent for each section. Applicants were required to provide a notarized affidavit certifying at least three years accounting experience, at least two years of which must have been in the office of a certified public accountant performing actual accounting work. In addition, each applicant was required to submit three references testifying to his/her character, in the form of a "Certificate of Moral Character." Today's mandate that each CBA licensee pass an ethics course finds its antecedent in the CBA's original requirement of this certificate.

Sixty-five applicants were certified as licensees between 1901 and 1906. On April 18, 1906, the great San Francisco earthquake and fire destroyed all the records of the original board, including the documents of the CBA's first 65 licensees. In 1907, the CBA's Secretary-Treasurer, Mr. T. E. Atkinson, meticulously reconstructed those records by corresponding with each licensee from his new Market Street address. Today, thanks to Mr. Atkinson's diligence, the CBA retains the papers of its original 65 licensees in its archival material.

From the beginning of the 20th Century, consumer protection has been the undertaking of the CBA. A December 1, 1913, letter to Governor Hiram Johnson signed by Secretary-Treasurer Atkinson states, "For the further protection of the business public, a statute should be enacted regulating the practice of public accounting so as to require all persons holding themselves forth as being qualified to obtain from this board the certificate of certified public accountant. Public accounting is now generally recognized in business to be of such importance that a standard should be set by public authority and no one allowed to practice without proper credentials."

In 1929, the Legislature placed the CBA within the Department of Professional and Vocational Standards. In 1945, the Accountancy Act was substantially revised. In 1971, the Legislature located the CBA within the newly-created Department of Consumer Affairs. Shortly thereafter, the CBA moved its office from San Francisco to Sacramento.

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## How Does the CBA Accomplish its Mission?

The CBA's legal mandate is to regulate the accounting profession for the public interest. The CBA establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its authority to license. The CBA's practice act is found at section 5000 et seq. (Accountancy Act) of the Business and Professions Code (BPC), and the CBA's regulations appear in Title 16, Division 1 of the California Code of Regulations (CBA Regulations).

The CBA has the authority to license and discipline not only individuals and partnerships but also CPA corporations. As accounting practitioners, the CPA and the public accountant (PA) are sole proprietors, partners, shareholders, and staff employees of public accounting firms. They provide professional services to individuals; private and publicly-held companies; financial institutions; nonprofit organizations; and local, state, and federal government entities. CPAs and PAs also are employed in business and industry, in government, and in academia. The CBA performs its consumer protection mission for many stakeholders, including:

- Consumers of accounting services who require audits, reviews, and compilations of financial statements, tax preparation, financial planning, business advice and management consultation, and a wide variety of related tasks.
- Lenders, shareholders, investors, and small and large companies that rely on the integrity of audited financial information.
- Governmental bodies, donors, and trustees of not-for-profit agencies that require audited financial information or assistance with internal accounting controls.
- Regulatory bodies such as the SEC, the Public Company Accounting Oversight Board, the Public Utilities Commission, Department of Insurance, Department of Labor, the Government Accountability Office and federal and state banking regulators; local, state, and federal taxing authorities.
- Retirement systems, pension plans, capital markets and stock exchanges.
- Other state boards of accountancy.

Current law mandates that the CBA consist of 15 members, seven of whom must be CPAs, and eight of whom must be public members, not licensed or registered by the CBA. The Governor appoints four of the public members and all seven licensee members. The Senate Rules Committee and the Speaker of the Assembly each appoint two public members. The members of the CBA appoint an Executive Officer to oversee the daily operations of the board and implement the various policy decisions made by the board. The CBA is comprised of three divisions that encompass the areas of Administration, Licensing, and Enforcement. There are approximately 82 permanent staff members and additional temporary staff that assist throughout the CBA in various capacities. Although the CBA is "divided" into three divisions, the CBA operates as one, knowing that each activity performed is being done so in the interest of consumer protection.

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## Strategic Goals

### **1 ENFORCEMENT**

Maintain an active, effective, and efficient program to maximize consumer protection.

---

### **2 LICENSING**

Maintain an active, effective, and efficient program that maximizes customer service to Uniform CPA Examination candidates, applicants for CPA licensure, and licensees.

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### **3 CUSTOMER SERVICE**

Deliver the highest level of customer service.

---

### **4 OUTREACH**

Provide and maintain effective and timely outreach to all CBA stakeholders.

---

### **5 LAWS AND REGULATIONS**

Maintain an active presence and leadership role that efficiently leverages the CBA's position of legislative influence.

---

### **6 EMERGING TECHNOLOGIES**

Improve efficiency and information security through use of existing and emerging technologies.

---

### **7 ORGANIZATIONAL EFFECTIVENESS**

Maintain an efficient and effective team of leaders and professionals by promoting staff development and retention.

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# Goal 1: Enforcement

*Maintain an active, effective, and efficient program to maximize consumer protection.*

- 1.1 Reduce the average number of days to complete the enforcement process for those matters resulting in formal discipline to meet the DCA Formal Discipline Performance Measures.
- 1.2 Evaluate enforcement procedures and apply best practices to reduce overall processing timeframes.
- 1.3 Increase the number of supervisory level positions through the Budget Change Proposal (BCP) process to address increased staff and workload.
- 1.4 Increase collaboration with other regulatory agencies and other state boards of accountancy to enhance CBA's consumer protection efforts.
- 1.5 Establish enforcement best practices and procedures for California's practice privilege<sup>1</sup> provisions consistent with its mission to protect consumers.

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<sup>1</sup> Practice Privilege allows those holding a valid and current license, certificate or permit from another state to practice public accountancy in California without notice or submission of a fee.

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## Goal 2: Licensing

*Maintain an active, effective, and efficient program that maximizes customer service to Uniform CPA Examination candidates, applicants for CPA licensure, and licensees.*

- 2.1 Review and amend licensing requirements, if necessary, to accommodate evolving education methodologies used by colleges and universities.
- 2.2 Ensure adequate resources to process examination, licensure, and renewal applications within 30 days.

## Goal 3: Customer Service

*Deliver the highest level of customer service.*

- 3.1 Assess consumer and stakeholder satisfaction feedback to identify areas of improvement to provide the highest level of service.
- 3.2 Improve online tools and activities for all stakeholders to increase operational efficiency and customer access.

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## Goal 4: Outreach

*Provide and maintain effective and timely outreach to all CBA stakeholders.*

- 4.1 Expand partnerships with professional organizations, academic organizations, colleges and universities, and other regulatory bodies to share information regarding the CBA and its consumer protection mission.
- 4.2 Leverage social media resources to engage and inform stakeholders.
- 4.3 Educate licensees on common violations of the Accountancy Act and CBA Regulations via the CBA's UPDATE publication.
- 4.4 Address CBA members' and staff's ability to have more flexibility to provide outreach and education to stakeholders.

## Goal 5: Laws and Regulations

*Maintain an active presence and leadership role that efficiently leverages the CBA's position of legislative influence.*

- 5.1 Continue to promote the CBA's position on legislation and public policy consistent with the CBA's goals and objectives.
- 5.2 Increase the CBA's visibility and reputation with the Legislature.

DRAFT

## Goal 6: Emerging Technologies

*Improve efficiency and information security through use of existing and emerging technologies.*

- 6.1 Monitor BreEZe<sup>2</sup> implementation progress for phase three and work with the DCA to develop a contingency plan to evaluate other technology solutions should BreEZe be delayed. Other technology solutions should ensure functionality and operational efficiency in response to consumer and licensee needs.
- 6.2 Evaluate and update internal procedures, as necessary, for migration to an on-line platform, which will ensure continuity of business processes and achieve a successful implementation.
- 6.3 Seek authorization to purchase mobile devices for members to view CBA meeting materials, which will reduce paper consumption and lessen the environmental impact.
- 6.4 Prepare for transition to document imaging.
- 6.5 Review and redesign the license renewal application once a date for transition to a new technology solution has been established.

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<sup>2</sup> BreEZe is the DCA's new licensing and enforcement software to replace ATS and CAS, the existing legacy licensing and enforcement tracking systems.

DRAFT

## Goal 7: Organizational Effectiveness

*Maintain an efficient and effective team of leaders and professionals by promoting staff development and retention.*

- 7.1 Continue to emphasize training and career growth resources to increase staff knowledge, skills, and upward mobility opportunities.
- 7.2 Review, refresh, and post available procedure manuals to the intranet to increase operational efficiencies and access.
- 7.3 Enhance onboarding procedures for new staff to assist in understanding the CBA, program and position responsibilities, and identify resources available to ensure their success.

DRAFT

## Strategic Planning Methodology

To understand the environment in which the CBA operates and identify factors that could impact the CBA's success, the California Department of Consumer Affairs' SOLID unit conducted an environmental scan of the internal and external environments by collecting information through the following methods:

- Conducted interviews with members of the CBA to assess the challenges and opportunities the CBA is presently facing or will face in the upcoming years.
- Conducted two focus groups with CBA management and executive leadership to identify the strengths, weaknesses, opportunities and threats of the CBA from an internal perspective.
- Issued an online survey to all CBA committee members and staff members to identify the strengths, weaknesses, opportunities and threats of the CBA from an internal perspective.
- Issued an online survey to 5,500 randomly selected external stakeholders to identify the strengths and weaknesses of the CBA from an external perspective.

The CBA worked with SOLID to develop an environmental scan which was used during a strategic planning session facilitated by SOLID in July 2015, and assisted in the development of the CBA's 2016 – 2018 Strategic Plan.



## **CALIFORNIA BOARD OF ACCOUNTANCY**

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Prepared in Collaboration with:

California Board of Accountancy and  
DCA SOLID Planning Solutions



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**CPC Item II.**  
September 17, 2015

**CBA Item VIII.B.2.**  
September 17-18, 2015

## **Discussion and Possible Action to Seek Legislation to Amend Business and Professions Code Section 5094.3 Relating to the Ethics Study Educational Requirement**

**Presented by:** Gina Sanchez, Licensing Division Chief

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### **Purpose of the Item**

The purpose of this agenda item is to present the California Board of Accountancy (CBA) proposed amendments to Business and Professions Code (BPC) section 5094.3 (**Attachment 1**), the ethics study requirement, the goal of which is to create more consistency with CBA Regulations section 9.2 (**Attachment 2**).

### **Action(s) Needed**

The CBA will be asked to approve the proposed amendments to the ethics study requirement.

### **Background**

The educational requirements for CPA licensure were changed effective January 1, 2014. As part of the new educational requirements, pursuant to BPC section 5094.3, an applicant for CPA licensure is required to complete 10 semester units or 15 quarter units of ethics study.

BPC section 5094.3 states the following:

- Between January 1, 2014, and December 31, 2016, inclusive, an applicant is required to complete 10 semester units or 15 quarter units of ethics study with specified terms in the course title.
- On and after January 1, 2017, an applicant is required to complete a maximum of 7 semester units or 11 quarter units, in courses of ethics study with specified terms in the course title and a minimum of three semester units or four quarter units in courses devoted to accounting ethics or accountants' professional responsibilities. The accounting ethics or accountants' professional responsibilities courses must be completed at an upper division level or higher, unless the course was completed at a community college.

It was the intention of the Legislature to ensure that applicants have a broad foundation of courses rooted in ethics.

## **Discussion and Possible Action to Seek Legislation to Amend Business and Professions Code Section 5094.3 Relating to the Ethics Study Educational Requirement**

Page 2 of 2

### **Comments**

Many of California's colleges and universities have made changes to their course titles to assist their students in complying with this requirement. The CBA continues to encourage this practice, as it leads to a more seamless and efficient licensing process. This amendment should not impact California colleges and universities. However, the CBA has received feedback that the requirement of specific terms in the course title may be too restrictive for applicants that received their college education in any of the other 54 jurisdictions, and/or received their college education internationally or prior to the law becoming effective. In order to create flexibility, the CBA may wish to amend this requirement related to specific course titles. Staff have provided proposed legislative language in **Attachment 1**. The proposed language is modeled on CBA Regulations section 9.2 (b) as it provides a level of flexibility to the accounting subjects educational requirement. That provision reads:

*9.2(b) The applicant shall have completed a minimum of 24 semester units, or the equivalent in quarter units, selected from the following accounting subjects: accounting, auditing, financial reporting, external or internal reporting, financial statement analysis or taxation.*

This change does not expand the disciplines in which the ethics education can be earned; this change only provides added flexibility to ensure applicants who have completed ethics education in the existing subjects will meet the requirement.

Should the CBA choose to pursue a legislative change to the language of BPC section 5094.3 relating to the ethics study requirement, staff would request that the language be included in the 2016 omnibus bill, or, if it is not accepted as part of the omnibus legislation, seek an author to pursue amendments.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff recommends that the CBA approve the proposed language and that it be included in the 2016 omnibus bill, or, if it is not accepted as part of the omnibus legislation, seek an author to pursue amendments.

### **Attachments**

1. Proposed Amendments to BPC Section 5094.3 – Ethics Study Requirements
2. CBA Regulation Section 9.2 – Education Required Under 5092 and 5093

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**Attachment 1****Proposed Amendments to BPC Section 5094.3 – Ethics Study Requirements**

- (a) An applicant for licensure as a certified public accountant shall, to the satisfaction of the board, provide documentation of the completion of 10 semester units or 15 quarter units of ethics study, as set forth in paragraph (2) of subdivision (b) of Section 5093, in the manner prescribed in this section.
- (b) (1) Between January 1, 2014, and December 31, 2016, inclusive, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (d), (e), and (f).
- (2) Beginning January 1, 2017, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (c), (d), (e), and (f).
- (c) A minimum of three semester units or four quarter units in courses at an upper division level or higher devoted to accounting ethics or accountants' professional responsibilities, unless the course was completed at a community college, in which case it need not be completed at the upper division level or higher.
- (d) Between January 1, 2014, and December 31, 2016, inclusive, a maximum of 10 semester units or 15 quarter units, and on and after January 1, 2017, a maximum of 7 semester units or 11 quarter units, in ~~courses containing the following terms in the course title~~ the following subjects relating to ethics:
- (1) Business, government, and society.
  - (2) Business law.
  - (3) Corporate governance.
  - (4) Corporate social responsibility.
  - (5) Ethics.
  - (6) Fraud.
  - (7) Human resources management.
  - (8) Business leadership.
  - (9) Legal environment of business.
  - (10) Management of organizations.
  - (11) Morals.
  - (12) Organizational behavior.
  - (13) Professional responsibilities.
  - (14) Auditing.
- (e) (1) A maximum of three semester units or four quarter units in courses taken in the following disciplines:
- (A) Philosophy.
  - (B) Religion.
  - (C) Theology.
- (2) To qualify under this subdivision, the course title shall contain one or more of the terms "introduction," "introductory," "general," "fundamentals of," "principles," "foundation

of,” or “survey of,” or have the name of the discipline as the sole name of the course title.

(f) A maximum of one semester unit of ethics study for completion of a course specific to financial statement audits.

(g) An applicant who has successfully passed the examination requirement specified under Section 5082 on or before December 31, 2013, is exempt from this section unless the applicant fails to obtain the qualifying experience as specified in Section 5092 or 5093 on or before December 31, 2015.

*(Amended by Stats. 2013, Ch. 474, Sec. 4. Effective October 1, 2013.)*

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**Attachment 2****CBA Regulation Section 9.2 – Education Required Under 5092 and 5093**

- (a) Each applicant shall present satisfactory evidence that he or she has received a baccalaureate or higher degree, has completed the accounting subjects specified in subsection (b) of this section, and has completed the business-related subjects specified in subsection (c) of this section.
- (b) The applicant shall have completed a minimum of 24 semester units, or the equivalent in quarter units, selected from the following accounting subjects: accounting, auditing, financial reporting, external or internal reporting, financial statement analysis or taxation.
- (c) In addition to the accounting courses described in subsection (b), an applicant shall have completed a minimum of 24 semester units, or the equivalent in quarter units, selected from the following business-related subjects: accounting subjects in excess of the 24 semester units as described in subsection (b), business administration, economics, finance, business management, marketing, computer science/information systems, statistics, business communications, mathematics, business law, or business related law courses offered by an accredited law school.
- (d) Qualifying education shall be completed within the following time frames specified in this subsection:
- (1) Except as provided for in subsection (d)(2), applicants shall complete the education required by this section before applying for examination for the first time.
  - (2) An applicant who applied, qualified, and sat for at least two subjects of the examination for the Certified Public Accountant License before May 15, 2002, may provide evidence of qualifying education at the time of application for licensure.
- (e) For purposes of this article, one quarter unit is equivalent to two-thirds of one semester unit.

NOTE: Authority cited: Sections 5010, 5092 and 5093, Business and Professions Code. Reference: Sections 5092, 5093, 5094.3 and 5094.6, Business and Professions Code.



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**CPC Item III**  
September 17, 2015

**CBA Item VIII.B.3**  
September 17-18, 2015

## **Discussion Regarding Proposed Changes to California Code of Regulations Section 9.1 – Approved Credentials Evaluation Service Status**

**Presented by:** Pat Billingsley, Regulatory Analyst

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### **Purpose of the Item**

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with proposed changes to Title 16, California Code of Regulations (CBA Regulations) section 9.1 (**Attachment 1**) to strengthen the approval process of credentials evaluation services.

### **Action(s) Needed**

The CBA will be asked to initiate a rulemaking to amend CBA Regulation section 9.1.

### **Background**

Applicants for the Uniform Certified Public Accountant Examination (CPA Exam) and CPA licensure who attended or graduated from foreign schools may satisfy their respective education requirements based upon an evaluation of foreign transcripts by a CBA-approved credentials evaluation service.

In May 2015, the CBA directed staff to develop and propose specific regulatory changes to CBA Regulations section 9.1 and present them for consideration at a future CBA meeting.

### **Comments**

The current requirements for becoming a CBA-approved credentials evaluation service found in CBA Regulations section 9.1 lacks specificity and the request to become CBA-approved is not required to be presented in a standard format. Adding specificity and standardizing the format of the application process will enhance the CBA's oversight of the evaluation services.

The CBA previously reviewed the conceptual changes at its May 2015 meeting (**Attachment 2**) and directed staff to prepare a regulatory proposal for consideration at a future meeting. In consultation with legal counsel, the proposed regulatory language includes the following changes:

## **Discussion Regarding Proposed Changes to California Code of Regulations Section 9.1 – Approved Credentials Evaluation Service Status**

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- Subdivision (a) – Includes the form number “Form 11A-54 (9/15).”
- Paragraph (1) – Requires the applicant to “certify to its membership” in one of the three recognized associations.
- Paragraph (2) – Requires the applicant to “certify on the application to compliance” with its procedure for identifying fraudulent transcripts.
- Paragraph (6) – Defines “written evidence” regarding what the applicant must provide as a part of the application.
- Paragraph (9) – Requires the applicant to “certify to compliance” on the application with its appeal procedure for applicants.
- Subdivision (c) – Defines “change of ownership” for purposes of reporting the information to the CBA.
- Subdivision (e) – Clarifies conditions for withdrawal of approval by the CBA to include furnishing false, inaccurate, incomplete or misleading information to the CBA.

Approval of the proposed changes will provide the CBA with the enhanced ability to provide effective oversight for credentials evaluation services.

### **Fiscal/Economic Impact Considerations**

There is no fiscal/economic impact consideration.

### **Recommendation**

Staff recommends the CBA approve the proposed changes and direct staff to initiate the rulemaking process.

### **Attachments**

1. Proposed Regulatory Language
2. CBA’s May 2015 Agenda Item Regarding Approved Credentials Evaluation Service Status



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**Attachment 1**

**Proposed Regulatory Language**

**§ 9.1. Approved Credential Evaluation Service Status**

(a) To receive and to maintain Board approval, a credentials evaluation service shall: submit an application on Form 11A-54 (9/15) and comply with the following:

(1) ~~Be a member of the~~ and certify to its membership in either the American Association of Collegiate Registrars and Admission Officers, the National Association for Foreign Student Affairs: Association of International Educators, or the National Association of Credential Evaluation Services;

(2) ~~Furnish the Board with a copy of its current written procedure for identifying fraudulent transcripts, and~~ comply certify on the application to compliance with that procedure;

(3) ~~Furnish the Board with a list of its reference materials including the title of each reference, its publisher, and the date of publication, and~~ certify Certify on the application that it maintains a complete set of reference materials, that the references are adequate to prepare complete, accurate evaluations and are the most current editions available;

(4) ~~Furnish the Board with~~ resumes or curriculum vitae for each evaluator and translator which provide biographical information on evaluators and translators, including a list of languages spoken and years in service. The service shall have at least one senior staff member with not less than five years of foreign student college admission experience or closely related credentials evaluation experience at all academic levels;

(5) ~~Furnish the Board with its organization chart showing the ratio of senior staff members to junior staff members is, at most, one to five, and shall not exceed that ratio;~~

(6) ~~Furnish the Board with written evidence that a minimum of 50% of the evaluations performed by junior staff members are reviewed by senior staff members, and shall maintain at least that minimum;~~ for the purposes of this paragraph, "written evidence" means it provides as a part of the application, for the previous five years, the total number of evaluations performed, the total number of evaluations performed by junior staff members, and the total number of evaluations performed by junior staff members that were reviewed by senior staff members.

~~(7) Furnish the Board with statistical information on the number of applications processed annually for the past five years;~~

~~(8) Furnish the Board with a list of at least three accredited colleges and universities or other licensing agencies using its services;~~

~~(9) Furnish the Board with three letters of reference, written within the last year, from public or private agencies;~~

~~(10) Furnish the Board with a copy of its appeal procedure for applicants, and~~ comply certify to compliance with that procedure on the application;

~~(11) Furnish evaluations to the Board that comply with the requirements of this section;~~

~~(10)~~ For the initial application, furnish the Board with a sample evaluations that complies with the requirements of subdivision (b); prepared for other agencies.

(11) For the initial application, certifies it has, or agrees to establish within thirty days of Board approval, a minimum six-year document retention policy;

(12) As a condition of renewal, a credentials evaluation service shall certify continued compliance with a minimum six-year document retention policy.

(b) Each evaluation provided by the Board approved service shall:

(1) Affirm in a written statement that the evaluation is based only upon authenticated, original transcripts and degrees received directly from the educational institution or its governing body;

(2) Include certified copies of all original transcripts;

(3) Be furnished directly to the Board, in English; on tamper-proof paper,

(4) Identify the primary evaluator and any secondary evaluator;

(5) Include the name or names of the applicant as shown on the transcripts as well as the name under which the applicant requested the evaluation;

(46) Include a report of each degree held by the applicant along with the equivalent degree offered in the United States, the date the degree was granted and the institution granting the degree;

(7) Provide the total number of semester units completed and evaluated;

(58) Include a listing of the course titles with the semester unit equivalent for each course listed in chronological order without categorization, extra emphasis, or distinguishing formatting for any of the courses listed;.

(9) Include the following disclaimer: "This evaluation service is not authorized by the California Board of Accountancy to include in this evaluation any opinion as to whether certain courses will be accepted by the Board as meeting the Board's requirements or whether the applicant meets the Board's requirements for taking the Uniform CPA Examination or for licensure."

(c) The credentials evaluation service shall report to the Board annually whether it has undergone any organizational changes, including any change in the ratio required in subdivision (a)(5), or any change in ownership. Approval issued under this section shall expire five years after the date of issuance unless renewed by the Board prior to its expiration by meeting the requirements in subsection (a). For purposes of this subdivision, "change in ownership" means any change in legal ownership of the approved credentials evaluation service or its business entity form, including the acquisition by a person of more than 50% of an interest in or stock of the business entity's parent company, change of the business entity by incorporation or conversion of the business to another business entity form or a change in the corporate status that requires a new corporate number as issued by the Secretary of State.

(d) In order to remain as a Board approved credentials evaluations service, the credentials evaluation service shall respond to any inquiries by the Board, submit any documents requested by the Board, provide any information requested by the Board and cooperate in any investigation conducted by the Board regarding the service's compliance with the Board's requirements.

(e) Approval may be withdrawn at any time if the credentials evaluation service fails to comply with any of the requirements of this section or furnishes false, inaccurate, incomplete or misleading information to the Board.

(f) A credentials evaluation service that received Board approval prior to the date this subdivision becomes effective shall meet the requirements of this section at its next renewal.

**NOTE:** Authority cited: Sections 5010 and 5094, Business and Professions Code.  
Reference: Section 5094, Business and Professions Code.

# CREDENTIALS EVALUATION SERVICE APPLICATION

*Please provide all requested information listed below.*

Name of Applicant Organization: _____		
Address: _____		
City: _____	State: _____	Zip Code: _____
Telephone Number: (____) _____	Fax Number: (____) _____	
Toll-Free Number (if available): (____) _____		
Email Address (if available): _____		
Website Address (if available): _____		
Name of Contact Person: _____	Title: _____	

**THE ORGANIZATION CERTIFIES TO THE FOLLOWING:**

*(Check)*

1. It is a member of:
    - a. American Association of Collegiate Registrars and Admission Officers; or, \_\_\_\_\_
    - b. National Association for Foreign Student Affairs: Association of International Educators; or, \_\_\_\_\_
    - c. National Association of Credential Evaluation Services. \_\_\_\_\_
  2. It complies with its current written procedure for identifying fraudulent transcripts. \_\_\_\_\_
  3. It maintains a complete set of current reference materials that are adequate to prepare complete, accurate evaluations and are the most current editions available. \_\_\_\_\_
  4. It complies with its appeal procedure for applicants. \_\_\_\_\_
- Check one of the following:* *(Check)*
5. This is its initial application, and it has, or agrees to establish with thirty days of California Board of Accountancy approval, a minimum six-year document retention policy. \_\_\_\_\_
  6. This is its renewal application, and it complies with a minimum six-year document retention policy. \_\_\_\_\_

**THE FOLLOWING MUST BE INCLUDED WITH THIS APPLICATION:**

1. A copy of its current written procedure for identifying fraudulent transcripts.
2. Resumes or curriculum vitae for each evaluator and translator which provide biographical information, including a list of languages spoken and years in service.
3. Organization Chart showing the ratio of senior staff members to junior staff members (not to exceed a one to five ratio).
4. Written evidence that a minimum of 50% of evaluations performed by junior staff members are reviewed by senior staff members (Written evidence means providing, for the previous five years, the total number of evaluations performed, the total number of evaluations performed by junior staff members, and the total number of evaluations performed by junior staff members that were reviewed by senior staff members).
5. A list of at least three accredited colleges and universities or other licensing agencies using its services.
6. Three letters of reference, written within the last year, from public or private agencies.
7. A copy of its appeal procedures for applicants.
8. For initial applications only, a sample evaluation that complies with the requirements of Title 16, California Code of Regulations section 9.1(b).

***I hereby certify, under penalty of perjury under the laws of the State of California, that I am a person authorized to act for and bind the applicant and that all statements, answers, and representations made on this form and any accompanying attachments are true, complete, and accurate to the best of my knowledge. By submitting this form and signing below, I am granting permission to the California Board of Accountancy to verify the information provided.***

\_\_\_\_\_  
**Authorized Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Print or Type Name**

\_\_\_\_\_  
**Title**

**NOTICE OF COLLECTION OF PERSONAL INFORMATION**

The information requested on this application is mandatory pursuant to Business and Professions Code section 5094 and Title 16 CCR section 9.1. Failure to provide all of the information requested will result in the application being rejected as incomplete. The information provided will be used to determine qualification and continued qualification of the applicant for approval by the California Board of Accountancy (CBA) as a credential evaluation service. The information may be provided to other governmental agencies, or in response to a court order, subpoena, or public records request. You have a right of access to records containing personal information maintained by the CBA unless the records are exempted from disclosure by law. Individuals may obtain information regarding the location of his or her records by contacting the CBA's Licensing Manager at 2000 Evergreen St. #250, Sacramento, CA 95815 or (916) 561-1754.

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**Attachment 2****Discussion Regarding Possible Changes to California Code of Regulations (CCR)  
Section 9.1 – Foreign Credentials Evaluation Services Approval Criteria**

**Presented by:** Matthew Stanley, Manager, Examination and Practice Privilege Units

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**Purpose of the Item**

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with proposed changes to strengthen the approval process of foreign credentials evaluation services.

**Action(s) Needed**

The CBA will need to determine what changes, if any, it wants made to the approval process. If changes are needed, the CBA will need to direct staff to develop a regulatory proposal.

**Background**

Applicants for the Uniform Certified Public Accountant (CPA) Examination (CPA Exam) and CPA licensure who attended or graduated from foreign schools may satisfy their respective education requirements based upon an evaluation of foreign transcripts by a CBA-approved foreign credentials evaluation service.

The CBA presently has eighteen CBA-approved foreign credentials evaluation services (**Attachment 1**). To become a CBA-approved foreign credentials evaluation service, the evaluation service must meet the requirements outlined in Title 16, California Code of Regulations, (CBA Regulations) section 9.1 which was initially adopted by the CBA in 2000 based on the requirements of Business and Professions Code section 5094(d) (**Attachment 2**). Renewal of the evaluation service's approval is required every five years. Staff notify the evaluation service when it is due for renewal. The renewal process is, for the evaluation service, identical to the approval process.

When requesting an evaluation of foreign transcripts, candidates must submit an application and processing fee to the chosen CBA-approved evaluation service and must provide authenticated, original transcripts and degrees. The evaluation service determines and affirms that the evaluation is based on authenticated, original transcripts, and degrees. When the evaluation service submits an evaluation report to the CBA, it must come directly from the evaluation service with certified copies of all original transcripts.

## Discussion Regarding Possible Changes to California Code of Regulations (CCR) Section 9.1 – Foreign Credentials Evaluation Services Approval Criteria

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### Comments

The current requirements for becoming a CBA-approved Foreign Credentials Evaluation Service found in CBA Regulations section 9.1 lack specificity, and the request to become CBA-approved is not required to be presented in a standard format. Within these guidelines, it is up to the evaluation service to determine how it wants to present its approval request to the CBA. Adding specificity and standardizing the format of the application process will enhance the CBA's oversight of the evaluation services, which leads to more accurate information regarding CPA Exam and licensing applicants, and therefore, enhances consumer protection.

CBA Regulations section 9.1 is currently broken into two major parts. Subdivision (a) are the requirements that the evaluation service must meet, and subdivision (b) are the requirements that the submitted evaluations must include. Subdivision (c) is a brief discussion of ongoing and renewal requirements for credentials evaluation services. Staff are suggesting changes to section 9.1 (**Attachment 3**) that will strengthen the requirements and enhance CBA oversight.

In addition to proposed changes to the existing language, staff are also proposing additional changes by adding new subdivisions (d), (e), and (f) that will enhance the CBA's oversight of evaluation services.

### Requirements for Approval as a Credentials Evaluation Service

The proposed changes to subdivision (a) regarding requirements that the evaluation service must meet center on an application form in order to standardize the approval process. This form would require the applicant to certify under penalty of perjury to several statements required throughout this section. This will streamline the process to clearly identify the required information.

Other major changes to subdivision (a) include the following:

- Paragraph (4) – Provide the required biographical information in paragraph (4) in the form of a resume or curriculum vitae in order to standardize the format in which this information is provided.
- Paragraphs (6-7) – Define “written evidence” in paragraph (6) as the evaluation service providing, for the previous five years, the total number of evaluations performed, the total number of evaluations performed by junior staff members, and the total number of evaluations performed by junior staff members that were reviewed by senior staff members. Obtaining this information would also satisfy the requirements of paragraph (7) allowing that paragraph to be removed.
- Paragraph (11) – A new paragraph would be added to require that the evaluation service agree to a six-year (minimum) document retention policy.

### Requirements for the Submitted Evaluations

Subdivision (b) is the requirements that the submitted evaluations must include. This subdivision is brief and only provides general guidance to the evaluation services.

## **Discussion Regarding Possible Changes to California Code of Regulations (CCR) Section 9.1 – Foreign Credentials Evaluation Services Approval Criteria**

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These evaluations are the product that staff evaluates for the CPA Exam and licensure on a daily basis. Additional specificity will assist staff by ensuring a standardized product for review. The proposal does not remove any of the existing requirements, but it does expand them. The following are the major additions to subdivision (b) (the following paragraph numbers refer to the proposed new numbering in Attachment 2):

- Paragraph (4) – Require that the primary and secondary, if any, reviewer be identified on the evaluation.
- Paragraph (5) – Require that the evaluation include the name or names of the applicant as shown on the transcripts as well as the name under which the applicant requested the evaluation. This will establish that the correct transcripts were evaluated and that a name change has occurred which will assist staff in matching evaluations to applications.
- Paragraph (6) – Require that the evaluation include the applicant’s date of birth. This will assist staff in matching the correct evaluation to the application, especially when two applicants share the same name.
- Paragraph (8) – Require that the total number of semester units completed and evaluated be provided on the evaluation.
- Paragraph (9) – Require that all courses provided on the evaluation are listed in chronological order without categorization, extra emphasis or distinguishing markings placed on any course. Different evaluation services list out the courses in different formats and orderings. Many try to group them into categories or use formatting to identify courses such as “Accounting” and “Business” which leads to an expectation on the CBA by the applicant.
- Paragraph (10) – Require that the evaluation not include the evaluation service’s opinion as to whether certain courses meet the CBA’s requirements or whether the applicant meets the educational requirements for taking the exam or licensure. This leads to confusion for the applicants when they are told by the evaluation service that they qualify to sit for the CPA Exam or licensure and then the CBA finds them deficient. This provision would eliminate the sometimes erroneous expectations of the applicants.

### Renewal Requirements For Foreign Credential Evaluation Services

Subdivision (c) requires evaluation services to report to the CBA annually whether it has undergone any organizational changes. The proposal clarifies that such changes include any change in the ratio required in subdivision (a)(5), or any ownership changes.

Subdivision (c) also states that approval under this section expires after five years and needs to be renewed. In addition to meeting the requirements of subdivision (a), the proposal adds that a renewal shall also consist of a review of five evaluations randomly selected by the CBA which shall be resubmitted to the CBA with the renewal request. This will help staff to ensure the evaluation service is properly retaining its records.

## **Discussion Regarding Possible Changes to California Code of Regulations (CCR) Section 9.1 – Foreign Credentials Evaluation Services Approval Criteria**

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### **Proposed Additional Requirements**

The proposal adds subdivision (d) to require evaluation services to submit any document the CBA may request.

The proposal adds subdivision (e) to add the authority to withdraw the CBA's approval of an evaluation service for failure to produce evaluations that are consistent and accurately reflect the educational documents. If the CBA approves this change, staff will draft language that will allow for the evaluation service to appeal the decision.

Finally, subdivision (f) is proposed to state that evaluation services that are currently approved by the CBA must meet these new requirements on their next renewal date. This allows a "grandfathering in" of the existing services.

These proposed changes will provide the CBA with the authority and tools to provide effective oversight for the evaluation services.

With the CBA's approval, staff will prepare a rulemaking package, including a proposed application form, for initiation of the rulemaking process at its next meeting.

### **Fiscal/Economic Impact**

There are no fiscal/economic impact considerations at this time.

### **Recommendation**

Staff recommend the CBA approve the proposed changes and direct staff to prepare, for CBA approval, a regulatory proposal implementing the proposed changes.

### **Attachments**

1. CBA-approved Foreign Credentials Evaluation Services
2. Business and Professions Code Section 5094(d)
3. Proposed Changes to CBA Regulations Section 9.1



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**CPC Item IV.**  
September 17, 2015

**CBA Item VIII.B.4.**  
September 17-18, 2015

## **Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 87 – Continuing Education Requirements**

**Presented by:** Dominic Franzella, Chief, Enforcement Division

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### **Purpose of the Item**

The purpose of this agenda item is to provide an opportunity for the California Board of Accountancy (CBA) to discuss the impact of the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services (SSARS) No. 21, *Statement on Standards for Accounting and Review Services: Clarification and Recodification (Attachment 1)* may have on the accounting and auditing (A&A) continuing education (CE) requirement.

### **Action(s) Needed**

No specific action is required on this agenda item unless the CBA decides additional changes to the A&A CE requirements are needed.

### **Background**

California Business and Professions Code section 5027 (**Attachment 2**) requires all licensees who provide audit, review, other attestation services, or issues compiled financial statement reports to complete, during the two-year license renewal period, a minimum of 24 hours of CE in the area of accounting and auditing related to reporting on financial statements. CBA Regulations section 87(d) (**Attachment 3**) further clarifies that a licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service must complete the A&A CE requirement related to financial statement preparation and/or reporting, auditing, reviews, compilations, industry accounting, attestation services, or assurance services. CBA Regulations section 87(e) (**Attachment 4**) requires that a licensee who is subject to the 24 hour A&A CE requirement must complete an additional four hours of CE related to the prevention, detection, and/or reporting of fraud affecting financial statements.

In May 2015, the CBA began discussion of the AICPA's October 2014 issuance of SSARS 21, and the subsequent creation of a new level of accounting and auditing service for engagements to prepare financial statements. This discussion was focused on the impact SSARS 21 had on peer review and consideration to amend CBA Regulations section 42. Staff's proposal to change this section (**Attachment 5**) was adopted by the CBA, which excludes firms from peer review that, as their highest level

## **Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 87 – Continuing Education Requirements**

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of work, perform only preparation engagements in accordance with the provisions of the SSARS.

Once implemented, the preparation engagement standard will apply when the accountant in public practice is engaged to prepare financial statements but is not engaged to perform an audit, review, or a compilation on those financial statements. A licensee that is engaged to prepare financial statements is not required to make a determination regarding independence from the entity.

### **Comments**

The creation of the preparation engagement standard generated inquiries regarding its potential impact on both the peer review program and the 24-hour A&A and four-hour fraud CE requirements. The May 2015 discussion regarding SSARS 21 addressed peer review. This agenda item will provide the CBA with an opportunity to discuss whether licensees only engaged to prepare financial statements are required to complete the A&A and fraud CE requirements or some level of A&A CE prescribed by the CBA.

SSARS 21 applies when the accountant is engaged to prepare financial statements prior to audit or review by another accountant or for statements not intended for use by a third party, or otherwise management use only. Additionally, SSARS 21 redefines that a compilation engagement will apply when an accountant is engaged to report on compiled financial statements or submits the financial statements to the client or to third parties. SSARS 21 requires that a report is issued for all compilation engagements; thus, engagements where no report is issued will now be covered under financial statement preparation.

A licensee who performs work on an audit, review, compilation, or attestation service must complete the 24-hour A&A and four-hour fraud CE requirements. Historically, licensees that perform compilations where no report was issued (commonly referred to as “management use only” or “internal use only”) were subject to the A&A and fraud CE requirement. This type of service is now being referred to as a preparation engagement. With the new service outside the scope of the present A&A and fraud CE requirements, the CBA is being asked if licensees who as their highest level of service perform only preparation engagements in accordance with SSARS should still be required to complete a specified amount of CE in the preparation of financial statements.

To assist the CBA in its discussion, staff researched the CE requirements of 30 state boards of accountancy<sup>1</sup> to determine which states are impacted by, and their reaction to, SSARS 21. Staff found that only four of the 30 states reviewed prescribe CE based

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<sup>1</sup> The state boards of accountancy included Arizona, Colorado, Florida, Hawaii, Idaho, Kansas, Maine, Michigan, Montana, North Carolina, North Dakota, Nebraska, New Mexico, Nevada, New York, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Vermont, Washington, Wisconsin, West Virginia, and Wyoming.

## **Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 87 – Continuing Education Requirements**

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on the type of work performed, specifically in the area of A&A. These state boards mandate CE specifically related to attest work for licensees who meet the following criteria.

- New York: A licensee who supervises attest or compilation services or signs the accountant's report on financial statements on behalf of a firm.
- Virginia: A licensee who releases or authorizes the release of reports on attest or compilation services.
- Ohio: A licensee who performs accounting, auditing, assurance or attestation engagements, preparing any financial report, or signing any financial report in accordance with professional standards.
- Tennessee: A licensee who engages in the attest function.

New York and Virginia only mandate licensees who supervise attest or compilation services or sign, release, or authorize release of the accountant's report, to complete prescribed CE directly related to these services. The implementation of SSARS 21 has no impact on their current A&A CE rules. Conversely, Ohio and Tennessee are presently directing licensees who are involved at any level of the attest service, including preparation, to complete the prescribed A&A CE requirement in accordance with their board regulations.

If the CBA decides that licensees performing only this level of service should be subject to some amount of prescribed CE in the preparation of financial statements, staff will bring proposed regulatory language as a future discussion topic.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff do not have a recommendation on this item.

### **Attachments**

1. AICPA Summarization of the SSARS Clarity Project and SSARS No. 21
2. Business and Professions Code Section 5027 – Continuing Education
3. CBA Regulations Section 87(d) – Accounting and Auditing Continuing Education Requirement
4. CBA Regulations Section 87(e) – Fraud Continuing Education Requirement
5. Proposed Amendment to CBA Regulations section 42 which was adopted by the CBA in May 2015.

## Statement on Standards for Accounting and Review Services No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*



### A summarization of the SSARs Clarity Project and SSARS No. 21

Statement on Standards for Accounting and Review Services (SSARS) No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification* was issued in October 2014. SSARS No. 21 represents the AICPA’s Accounting and Review Services Committee’s (ARSC) efforts to clarify and revise the standards for reviews, compilations, and engagements to prepare financial statements.

#### **SSARs Clarity Project**

With the release of Statement on Auditing Standards (SAS) Nos. 122–124 in October 2011, the Auditing Standards Board (ASB) reached a major milestone in its project to redraft all of the auditing sections in AICPA *Professional Standards*. The clarified auditing standards are designed to make the standards easier to read, understand, and apply.

The ARSC concluded that undertaking a similar clarity project for the SSARs would serve the public interest and ensure that all professional literature for audits, reviews, and compilations are drafted using the same conventions. In addition, the resulting clarified compilation and review standards would be easier to read, understand, and apply.

In May 2010, the ARSC approved a project to revise all its existing compilation and review standards in the AR sections of AICPA *Professional Standards*, substantially using the drafting conventions adopted by the ASB in clarifying the auditing literature.

The ARSC determined, however, that there would be certain differences between its clarity drafting conventions and those adopted by the ASB. Specifically, the ARSC determined not to include specific application guidance with respect to governmental entities and smaller, less complex entities.

Accordingly, the ARSC’s clarity drafting conventions include the following:

- Establish objectives for each clarified AR section.
- Include a definitions section, if relevant, in each clarified AR section.
- Separate requirements from application and other explanatory material.
- Number application and other explanatory material paragraphs with the prefix “A-” and present them in a separate section that follows the requirements section.
- Use formatting techniques, such as bulleted lists, to enhance readability.

#### **SSARS No. 21**

In addition to clarifying the standards, SSARS No. 21 includes significant revisions that affect the standards for accountants in public practice who prepare financial statements for their clients. This standard is effective for reviews, compilations, and engagements to prepare financial statements for financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

SSARS No. 21 is structured as follows:

Section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*— Provides general principles for SSARSs engagements.

Section 70, *Preparation of Financial Statements*— Provides requirements and guidance to an accountant who is engaged to prepare financial statements for an entity but not engaged to perform a compilation, review, or audit with respect to those financial statements.

Section 80, *Compilation Engagements*— Provides requirements and guidance to an accountant when engaged to perform a compilation engagement on financial statements

Section 90, *Review of Financial Statements*—provides requirements and guidance to an accountant when engaged to review financial statements

The sections of SSARS No. 21 will be codified in AICPA *Professional Standards* as AR-C sections using the same section numbers as SSARS No. 21. For example, section 90 of SSARS No. 21 will be codified in the AICPA *Professional Standards* as AR-C section 90, *Review of Financial Statements*. The pre-clarified AR sections will remain in *Professional Standards* until the clarified standards are fully effective.

### **Section 60—General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services**

Section 60 of SSARS No. 21 replaces AR section 60, *Framework for Performing and Reporting on Compilation and Review Engagements* (AICPA, *Professional Standards*), and provides general principles for engagements performed in accordance with SSARSs. Section 60 is intended to help accountants better understand their professional responsibilities when performing engagements in accordance with SSARSs.

An accountant engaged to perform a review, a compilation, or an engagement to prepare financial statements is required to adhere to the requirements in section 60 as well as the requirements in the appropriate engagement section.

Section 60 includes requirements and guidance on the following:

- Ethical requirements
- Professional judgment
- Conduct of the engagement in accordance with SSARSs
- Engagement level quality control
- Acceptance and continuance of client relationships and engagements

#### **Requirement to Obtain a Signed Engagement Letter**

The accountant is required to agree upon the terms of the engagement for all SSARSs engagements with management or those charged with governance, as appropriate. The agreed-upon terms of the engagement should be documented in an engagement letter or other suitable form of written agreement. The engagement letter or other suitable form of written agreement should be signed by the accountant or the accountant's firm and management or those charged with governance. The requirement that management sign the engagement letter is intended to better ensure that management has read the letter and understands the terms of the engagement.

### **Section 70—Preparation of Financial Statements**

Section 70 of SSARS No. 21 applies when an accountant in public practice is engaged to prepare financial statements but is not engaged to perform an audit, review, or a compilation on those financial statements. The section does not apply in situations in which the accountant is not in public practice. An engagement to prepare financial statements is a nonattest service; therefore, the accountant is not required to make a determination regarding independence from the entity.

A report is not required—even when financial statements are expected to be used by or presented to a third party. To ensure that users can readily identify that the accountant is not providing any assurance on the financial statements, the accountant should include a statement on each page of the financial statements indicating, at a minimum, that “no assurance is provided” on the financial statements. The accountant’s name need not be included in the statement. Software vendors are already working to include the legend in the accounting software.

If the accountant is unable to include a statement on each page of the financial statements, the accountant is required to either

- issue a disclaimer that makes clear that no assurance is provided on the financial statements or
- perform a compilation engagement in accordance with section 80 of SSARS No. 21.

The determination about whether the accountant has been engaged to prepare financial statements or merely assist in preparing financial statements (which is a bookkeeping service not subject to SSARSs) is based on the services the client requests the accountant to perform and requires the accountant to apply professional judgment. The following table provides examples of services that the accountant may be engaged to perform and notes whether section 70 of SSARS No. 21 would apply. The table is not intended to be all inclusive and professional judgment still needs to be applied.

<b>Examples of Services for Which Section 70 Applies</b>	<b>Examples of Accountant Services for Which Section 70 Does Not Apply</b>
Preparing financial statements prior to audit or review by another accountant	Preparing financial statements when the accountant is engaged to perform an audit, review, or compilation of such financial statements
Preparing financial statements that are not expected to be used by a third party (management-use only financial statements)	
	Preparing financial statements solely for submission to taxing authorities
	Preparing personal financial statements for inclusion in written personal financial plans prepared by the accountant
	Preparing financial statements in conjunction with litigation services that involve pending or potential legal or regulatory proceedings
	Preparing financial statements in conjunction with business valuation services
	Maintaining depreciation schedules
	Preparing or proposing certain adjustments, such as those applicable to deferred income taxes, depreciation, or leases

Preparing a single financial statement, such as a balance sheet or financial statements with substantially all disclosures omitted	Drafting financial statement notes
Using the information in a general ledger to prepare financial statements outside of an accounting software system	Entering general ledger transactions or processing payments (general bookkeeping) in an accounting software system

### **Section 80—Compilation Engagements**

Section 80 of SSARS No. 21 modifies the applicability of the compilation literature. Pre-clarity AR section 80, *Compilation of Financial Statements* (AICPA, *Professional Standards*) applies when an accountant is either

- engaged to report on compiled financial statements or
- *submits* financial statements to the client or to third parties.

Submission is defined as “prepares and presents.” Section 80 of SSARS No. 21 eliminates the need for the accountant to determine who prepared the financial statements by eliminating the submission requirement and making the compilation literature apply when the accountant is *engaged* to perform a compilation service.

The primary changes in the compilation literature include the following:

- A report is now required for all compilation engagements
  - It is no longer necessary to have the non-reporting exception that was previously afforded for financial statements that were prepared and presented by an accountant to management that were not intended for third party use. Such engagements will be covered by section 70.
- The compilation report is now streamlined to differentiate from assurance (review and audit) reports consisting of one paragraph with no headings.
- Additional paragraphs are required when
  - the financial statements are prepared in accordance with a special purpose framework.
  - management elects to omit substantially all disclosures required by the applicable financial reporting framework.
  - when the accountant’s independence is impaired.
  - there is a known departure from the applicable financial reporting framework.
  - supplementary information accompanies the financial statements and the accountant’s compilation report thereon.

### **Section 90—Review of Financial Statements**

Section 90 of SSARS No. 21 is primarily a clarity redraft of the pre-clarity review literature with very few changes.

SSARS No. 21 does make clear that section 90 may be applied to historical financial information other than historical financial statements, such as specified elements, accounts, or items of a financial statement; supplementary information; required supplementary information; and financial information included in a tax return.

The accountant’s review report will look different as SSARS No. 21 requires the use of headings in the report. The accountant is also required to name the city and state of the issuing office. The

requirement will be met if the accountant's review report is presented on the accountant's letterhead and the letterhead contains the city and state of the issuing office.

Although pre-clarity AR section 90, *Review of Financial Statements* (AICPA, *Professional Standards*), states that emphasis paragraphs are never required, section 90 of SSARS No. 21 requires the accountant to include an emphasis-of-matter or other-matter paragraph in the accountant's review report relating to the following matters:

- Financial statements prepared in accordance with a special purpose framework
- A changed reference to a departure from the applicable financial reporting framework when reporting on comparative financial statements
- Reporting on comparative financial statements when the prior period is audited
- Reporting a known departure from the applicable financial reporting framework that is material to the financial statements
- Reporting when management revises financial statements for a subsequently discovered fact that became known to the accountant after the report release date and the accountant's review report on the revised financial statements differs from the accountant's review report on the original financial statements
- Supplementary information that accompanies reviewed financial statements and the accountant's review report thereon
- Required supplementary information

Section 90 of SSARS No. 21 introduces the requirement that the accountant include an other-matter paragraph in the accountant's review report when the accountant considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the accountant's professional judgment, is relevant to the users' understanding of the review, the accountant's responsibilities, or the accountant's review report.

In addition, section 90 of SSARS No. 21 requires the accountant to include an emphasis-of-matter paragraph in the accountant's review report when the accountant considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the accountant's professional judgment, is of such importance that it is fundamental to the user's understanding of the financial statements, provided that the accountant does not believe that the financial statements may be materially misstated.

If the accountant expects to include an emphasis-of-matter or other-matter paragraph in the accountant's review report, section 90 of SSARS No. 21 requires the accountant to communicate with management regarding this expectation and the proposed wording of this paragraph.

### **Pre-clarity AR Sections**

SSARS No. 21 will supersede all pre-clarity AR sections in AICPA *Professional Standards*, with the exception of AR section 120, *Compilation of Pro Forma Financial Information* (AICPA, *Professional Standards*). AR section 120 will be superseded by an additional clarity SSARS at a future date.

### **Other Helpful Information and Resources**

The AICPA Audit & Attest Standards Team maintains a web page dedicated to the ARSC Clarity Project, which contains valuable implementation resources for SSARS No. 21. The web page is available at <http://www.aicpa.org/SSARSClarity>. The web page will be updated frequently so, please check back often.

Additionally, AICPA Risk Alert *Developments in Review, Compilation, and Financial Statement Preparation Engagements—2014/15* serves as a valuable information resource and is available from the AICPA store at <http://www.cpa2biz.com/ssars21>.

Also, the AICPA Accounting and Auditing Technical Hotline is available for any questions that you may have. You can reach the Hotline at 877.242.7212, via e-mail at [techinquiry@aicpa.org](mailto:techinquiry@aicpa.org), and on the web at <http://www.aicpa.org/Research/TechnicalHotline/Pages/TechnicalHotline.aspx>

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## Attachment 2

### **Business and Professions Code Section 5027 Continuing Education**

(c) A licensee who provides audit, review, other attestation services, or issues compiled financial statement reports shall, during the two-year license renewal period, complete a minimum of 24 hours of qualifying continuing education in the area of accounting and auditing related to reporting on financial statements.



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## Attachment 3

### **CBA Regulations Section 87(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.



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## Attachment 4

### **CBA Regulations Section 87(e) Fraud Continuing Education Requirement**

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).



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## Attachment 5

### Proposed Amendment to CBA Regulations Section 42, Which was Adopted by the CBA in May 2015

#### CALIFORNIA CODE OF REGULATIONS TITLE 16. Professional and Vocational Regulations DIVISION 1. Board of Accountancy Regulations ARTICLE 6 - Peer Review

##### **§ 42. Exclusions.**

(a) The following shall be excluded from the peer review requirement:

- (1) Any of a firm's engagements subject to inspection by the Public Company Accounting Oversight Board as part of its inspection program.
- (2) Firms, which as their highest level of work, perform only ~~compilations where no report is issued~~ preparation engagements (with or without disclaimer reports) in accordance with the provisions of the Statements on Standards for Accounting and Review Services (SSARS).

**NOTE:** Authority cited: Sections 5010 and 5076, Business and Professions Code.  
Reference: Section 5076, Business and Professions Code.



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**CPC Item V.**  
September 17, 2015

**CBA Item VIII.B.5.**  
September 17-18, 2015

## **Discussion to Explore Methods to Identify Sole Proprietorships for California Board of Accountancy Peer Review Reports and Other Reporting Purposes**

**Presented by:** Gina Sanchez, Licensing Division Chief

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an opportunity to discuss possible methods for identifying sole proprietorships.

### **Action(s) Needed**

Should the CBA choose to pursue a method to identify sole proprietorships, the CBA will be asked to direct staff to begin drafting regulatory and/or statutory language for consideration.

### **Background**

The 2014 Sunset Review report identified the potential registration of sole proprietorships as a new issue. Business and Professions Code (BPC) section 5035.1 defines a firm as a corporation, partnership, or sole proprietorship. Presently, the CBA only licenses corporations and partnerships. The CBA does not presently require a certified public accountant (CPA) or public accountant (PA) operating as a sole proprietorship to obtain a separate form of licensure unless the CPA intends to operate under a name other than the name found on his or her license. In this case, the sole proprietor would need to register the fictitious name with the CBA.

BPC section 5076 (**Attachment 1**) requires all California-licensed firms, including sole proprietorships, that provide accounting and auditing services to undergo a peer review once every three years in order to renew its registration in an active status or convert to an active status.

The initial peer review reporting requirement was phased-in over a three-year period and required all licensees to report peer review information no later than the date prescribed by the CBA. Effective January 1, 2014, amendment to CBA Regulations section 45 (**Attachment 2**) mandated all licensees, regardless of license status (active, inactive, or retired), to report specific peer review information at the time of license renewal.

## Discussion to Explore Methods to Identify Sole Proprietorships for California Board of Accountancy Peer Review Reports and Other Reporting Purposes

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While peer review is a firm-based requirement, current reporting practices require all CPAs and PAs to report peer review information by submitting the Peer Review Reporting Form (PR-1) as a condition of license renewal. The CBA does not presently have a mechanism to identify licensees operating as sole proprietorships; therefore, it must require all licensees, including those not operating as accounting firms and those renewing in inactive and retired statuses, to report peer review information in order to capture this unidentifiable accounting firm population. This reporting requirement was intended to uphold the CBA's mission to protect the consumer by ensuring firms, including sole proprietorships, are in compliance with laws regarding peer review.

### Comments

With the establishment of mandatory peer review, the need to know which accounting firms operate as sole proprietorships has become increasingly important. The identification of sole proprietorships will assist in the reporting of peer review at license renewal and provide the CBA with a better understanding of exactly who is practicing as an accounting firm.

Since the implementation of reporting peer review information as a condition of license renewal, over 70 percent of the renewal-related deficiencies identified by the CBA have been related to the submission or completion of the PR-1. Staff most commonly identifies peer review-related discrepancies for licensees not operating as accounting firms and those renewing in inactive or retired statuses. Routinely, firm owners mistakenly complete the PR-1 associated with their individual license renewal as it pertains to the firm's license.

To establish a better understanding of how to further explore this topic, staff reviewed requirements of the Uniform Accountancy Act (UAA) and researched the firm registration requirements of 14<sup>1</sup> state boards of accountancy. Section three of the UAA defines a CPA firm as a sole proprietorship, a corporation, a partnership, or any other form of organization issued a permit under Section seven of the UAA (**Attachment 3 and 4**). Section seven requires a firm to obtain a permit to practice as a firm given the following:

- Any firm with an office in this state performing attest services,
- Any firm with an office in this state that uses the title "CPA" or "CPA firm," or
- Any firm that does not have an office in this state but offers or renders attest services.

In section seven, the UAA states that "because a CPA firm is defined to include a sole proprietorship, the permits contemplated by this section would be required of sole practitioners as well as larger practice entities."

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<sup>1</sup> Staff reviewed requirements of the following state boards of accountancy: Arkansas, Florida, Idaho, Illinois, Indiana, Kansas, Kentucky, Maryland, Nevada, New York, Ohio, Oregon, Texas, and Washington.

## **Discussion to Explore Methods to Identify Sole Proprietorships for California Board of Accountancy Peer Review Reports and Other Reporting Purposes**

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Staff's analysis of the state-by-state research indicates that most states mirror the provisions outlined in the UAA regarding sole proprietorship registration. Of the 14 states reviewed, 12 states register, in some capacity, sole proprietorships, although their criteria for registration may differ. For instance, Oregon requires sole proprietorships to register with the board if they provide attest or compilation services while Kansas requires registration if sole proprietorships are subject to peer review. Arkansas, Idaho, Indiana, Kentucky, Washington, Texas, Illinois, New York, and Ohio require all sole proprietorships to register. Florida requires sole proprietorships to file a Doing Business As (DBA) registration with the board. Maryland and Nevada do not require sole proprietorships to register, regardless of circumstances.

To assist the CBA in its discussion, staff is proposing two possible methods, full registration of a new license type or tracking via the license renewal application, to address the topic of sole proprietorships. Depending on the method selected, the CBA will need to pursue statutory or regulatory changes.

### Registration

Registration would require the establishment of a new license type and requirements for obtaining and renewing a license to operate as a sole proprietor. The CBA may also choose to require initial licensing and renewal fees.

Provided below are advantages and disadvantages the CBA may wish to consider when discussing this option.

### *Advantages*

- Registration would ensure the highest level of public protection as all accounting firms, regardless of type, would be identifiable to the consumer.
- With amendments to statutes and regulations, peer review reporting would only be required of accounting firms. This would eliminate present, unintended burdens experienced by individual licensees during the license renewal process.
- The CBA would have data detecting a population of licensees not previously identified as operating as an accounting firm.

### *Disadvantages*

- If the CBA elects to charge initial licensure and renewal fees, there would be an economic impact to licensees as they would incur additional costs.
- The registration method would take, at a minimum, 2.5 years to fully implement. The first year would address getting the necessary statutory authority in place, while the remaining time would focus on adopting/amending regulations and implementing the registration.
- The CBA is subject to the capabilities of the current database overseen by the Department of Consumer Affairs, which presently may not support the implementation of a new license status.

## **Discussion to Explore Methods to Identify Sole Proprietorships for California Board of Accountancy Peer Review Reports and Other Reporting Purposes**

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- Registration of sole proprietorships would require dedicated resources to perform ongoing workload associated with processing registrations and renewals, which may necessitate a staff augmentation.

Should the CBA choose to register sole proprietorships, staff will bring a future agenda item to provide members with a discussion topic regarding possible conditions and criteria for registering and renewing a sole proprietorship.

### Tracking

The method of tracking sole proprietorships would be done through the license renewal application. The license renewal application would require licensees to identify whether they operate as a sole proprietorship. If they do, subsequent questions regarding peer review would be addressed either on the license renewal application or through a revised PR-1.

This method would ultimately exclude licensees not operating as accounting firms and those renewing in inactive or retired statuses from reporting peer review information at the time of license renewal. Tracking would streamline the peer review reporting process while maintaining the CBA's duty to protect the consumer.

### *Advantages*

- Tracking would eliminate the burden of the licensee from obtaining an additional form of licensure and potentially incurring additional associated costs.
- A status code to identify sole proprietorships could be implemented in the present database, which may provide an internal tracking mechanism for the CBA.
- With amendment to regulations, peer review reporting would only be required of firms. This would eliminate present, unintended burdens experienced by individual licensees during the renewal process.
- Tracking would require no additional staffing or immediate fiscal impact to the Accountancy Fund.
- Information technology resources are adequate to begin immediate implementation.

### *Disadvantages*

- Tracking of sole proprietorships would only be captured at the time of license renewal rather than at the point of initial licensure. The CBA would not have the capability to fully monitor and track statistical data for this accounting firm population as it does for corporations and partnerships.

Should the CBA choose to track sole proprietorships, staff will bring proposed regulatory language as a future agenda item. If the language is adopted, this method would take 12-18 months to fully implement, which is the time normally required to complete the rulemaking process.

## **Discussion to Explore Methods to Identify Sole Proprietorships for California Board of Accountancy Peer Review Reports and Other Reporting Purposes**

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If the CBA decides not to pursue registering or tracking sole proprietorships, staff will provide members with a future agenda item to further discuss the current peer review reporting process. This discussion topic will focus on streamlining the license renewal process for licensees renewing in inactive and retired statuses.

### **Fiscal/Economic Impact Considerations**

Registration of sole proprietorships would have an economic impact to licensees if the CBA chooses to require an initial license and renewal fee. There would be a fiscal impact to the CBA Accountancy Fund from revenue received from initial license and renewal fees. Additionally, a fiscal impact would be incurred for IT database development and possible staff augmentation.

There are no fiscal/economic impact considerations if the tracking method is selected.

### **Recommendation**

Staff recommends that the CBA choose to track or register sole proprietorships and direct staff to draft statutory and/or regulatory language for future consideration.

### **Attachments**

1. BPC Section 5076 – Peer Review
2. CBA Regulations Section 45 – Reporting to the Board
3. Uniform Accountancy Act – Section 3(g)
4. Uniform Accountancy Act – Section 7



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## Attachment 1

### **Business and Professions Code Section 5076 Peer Review**

(a) In order to renew its registration in an active status or convert to an active status, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.

(b) For purposes of this article, the following definitions apply:

(1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.

(2) "Accounting and auditing practice" includes any services that were performed in the prior three years using professional standards defined by the board in regulations.

(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for board recognition of a peer review program, standards for administering a peer review, extensions of time for fulfilling the peer review requirement, exclusions from the peer review program, and document submission.

(d) Nothing in this section shall prohibit the board from initiating an investigation and imposing discipline against a firm or licensee, either as the result of a complaint that alleges violations of statutes, rules, or regulations, or from information contained in a peer review report received by the board.

(e) A firm issued a substandard peer review report, as defined by the board in regulation, shall submit a copy of that report to the board. The board shall establish in regulation the time period that a firm must submit the report to the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is submitted to the board.

(f) (1) A board-recognized peer review program provider shall file a copy with the board of all substandard peer review reports issued to California-licensed firms. The board shall establish in regulation the time period that a board-recognized peer review program provider shall file the report with the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program

provider to the date the report is filed with the board. These reports may be filed with the board electronically.

(2) Nothing in this subdivision shall require a board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(g) The board shall, by January 1, 2010, define a substandard peer review report in regulation.

(h) Any requirements imposed by a board-recognized peer review program on a firm in conjunction with the completion of a peer review shall be separate from, and in addition to, any action by the board pursuant to this section.

(i) Any report of a substandard peer review submitted to the board in conjunction with this section shall be collected for investigatory purposes.

(j) Nothing in this section affects the discovery or admissibility of evidence in a civil or criminal action.

(k) Nothing in this section requires any firm to become a member of any professional organization.

(l) A peer reviewer shall not disclose information concerning licensees or their clients obtained during a peer review, unless specifically authorized pursuant to this section, Section 5076.1, or regulations prescribed by the board.

(m) (1) By January 1, 2015, the board shall provide the Legislature and Governor with a report regarding the peer review requirements of this section that includes, without limitation:

(A) The number of peer review reports completed to date and the number of reports which were submitted to the board as required in subdivision (e).

(B) The number of enforcement actions that were initiated as a result of an investigation conducted pursuant to subdivision (i).

(C) The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.

(D) The extent to which mandatory peer review of accounting firms enhances consumer protection.

(E) The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.

(F) A recommendation as to whether the mandatory peer review program should continue.

(G) The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.

(H) The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.

(I) The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.

(J) A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.

(2) A report to the Legislature pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.

*(Amended by Stats. 2012, Ch. 661, Sec. 5. Effective January 1, 2013.)*



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## Attachment 2

### CBA Regulations Section 45 – Reporting to the Board

#### § 45. Reporting to the Board.

- (a) Beginning on January 1, 2014, at the time of renewal, a licensee shall report to the Board specific peer review information as required on Form PR-1 (Rev. 1/12), which is hereby incorporated by reference.
- (b) Prior to January 1, 2014, the date for existing California licensees to report peer review results, on the form indicated in subsection (a), shall be based on the licensee's license number according to the following schedule: for license numbers ending with 01-33 the reporting date is no later than July 1, 2011; for license numbers ending with 34-66 the reporting date is no later than July 1, 2012; for license numbers ending with 67-00 the reporting date is no later than July 1, 2013.
- (c) A licensee's willful making of any false, fraudulent, or misleading statement, as part of, or in support of, his/her peer review reporting shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act. Failure to submit a completed Form PR-1 (Rev. 1/12) shall be grounds for non-renewal or disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code.  
Reference: Sections 5076 and 5100, Business and Professions Code.

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**Attachment 3****Uniform Accountancy Act  
Section 3(g)**

**CPA Firm” means a sole proprietorship, a corporation, a partnership or any other form of organization issued a permit under Section 7 of this Act.**

COMMENT: This defined term is used in section 7, on permits to practice for firms, in such a way as to allow the Uniform Act, unlike some accountancy laws now in effect, to treat both partnerships and corporations in a single provision rather than in two separate but parallel provisions for the two different forms of organization. It is also used in section 12(j), on rights of appeal from an adverse Board decision in an enforcement proceeding; section 14(a), prohibiting issuance of reports on financial statements or attest services by unlicensed persons and firms; 14(d), (f), (g) and (h), regarding use of certain titles by unlicensed persons and firms; section 14(i), regarding misleading firm names; and section 14(j), defining certain rights of 14 foreign licensees to serve foreign clients. The definition of “firm” is designed to be broad enough to include any type of business entity or combination of business entities, recognized by the state.

Inclusion of sole proprietorships in the definition of the term “firm” has the effect of requiring sole practitioners to secure both individual certificates under section 6 and firm permits to practice under section 7. This will assure that all practice units have firm permits. The Board would have the power to alleviate the burden of duplicate applications (where the same person must secure both an individual certificate and a firm permit) by providing for joint application forms



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## Attachment 4

### Uniform Accountancy Act Section 7

#### FIRM PERMITS TO PRACTICE, ATTEST AND COMPILATION COMPETENCY AND PEER REVIEW

(a) The Board shall grant or renew permits to practice as a CPA firm to applicants that demonstrate their qualifications therefor in accordance with this Section.

(1) The following must hold a permit issued under this Section:

- (A) Any firm with an office in this state performing attest services as defined in Section 3(b) of this Act; or,
- (B) Any firm with an office in this state that uses the title "CPA" or "CPA 15 firm;" or,
- (C) Any firm that does not have an office in this state but offers or renders attest services as described in Section 3(b) of this Act in this state, unless it meets each of the following requirements:
  - (i) it complies with the qualifications described in Section 7(c);
  - (ii) it complies with the qualifications described in Section 7(h);
  - (iii) it performs such services through an individual with practice privileges under Section 23 of this Act; and
  - (iv) it can lawfully do so in the state where said individuals with practice privileges have their principal place of business.

(2) A firm which is not subject to the requirements of Section 7(a)(1) may perform services described in Section 3(f) and other nonattest professional services while using the title "CPA" or "CPA firm" in this state without a permit issued under this Section only if:

- (A) it performs such services through an individual with practice privileges under Section 23 of the Act; and
- (B) it can lawfully do so in the state where said individuals with practice privileges have their principal place of business.

COMMENT: This Uniform Act departs from the pattern of some accountancy laws now in effect in eliminating any separate requirement for the registration of firms and of offices. The information-gathering and other functions accomplished by such

registration should be equally easily accomplished as part of the process of issuing firm permits under this section. The difference is, again, one of form more than of substance but one that should be kept in mind if consideration is given to fitting the permit provisions of this Uniform Act into an existing law.

As pointed out in the comment following Section 3(g), above, because a CPA firm is defined to include a sole proprietorship, the permits contemplated by this section would be required of sole practitioners as well as larger practice entities. To avoid unnecessary duplication of paperwork, a Board could, if it deemed appropriate, offer a joint application form for certificates and sole practitioner firm permits.

This provision also makes it clear that firms with an office in this state may not provide attest services as defined, or call themselves CPA firms without a license in this state. Certified Public Accountants are not required to offer services to the public, other than attest services, through a CPA firm. CPAs may offer non-attest services through any type of entity they choose and there are no requirements in terms of a certain percentage of CPA ownership for these types of entities as long as they do not call themselves a "CPA firm" or use the term "CPA" in association with the entity's name. These non-CPA firms are not required to be licensed by the State Board.

Out-of-state firms without an office in this state may provide services other than those described in Section 3(b) for a client in this state, and call themselves CPA firms in this state without having a permit from this state so long as they do so through a licensee or individual with practice privileges and so long as they are qualified to do so under the requirements of Section 7(a)(2). In addition, if the firm is exempt from the permit requirement pursuant to Section 7(a)(1)(C), no permit is required regardless of the type of attest services or where the services are performed. Any firm practicing pursuant to this provision must, as required by Section 23(a)(3), comply with the practice privilege state's statutes and rules such as all those related to peer review including disclosures and on all other matters.

A firm that does not comply with ownership (Section 7(c)) and peer review (Section 7(h)) requirements must obtain a permit in a state before offering or rendering any attest service in that state.

Depending on the services provided, and if the firm calls itself a CPA firm, such a firm is subject to the requirements described in revised subsection 7(a)(2)(A) or subsection 7(a)(3)(B), whichever is applicable.

**(b) Permits shall be initially issued and renewed for periods of not more than three years but in any event expiring on [specified date] following issuance or renewal. Applications for permits shall be made in such form, and in the case of applications for renewal, between such dates as the Board may by rule specify, and the Board shall grant or deny any such application no later than \_\_\_\_\_ days after the application is filed in proper form. In any**

**case where the applicant seeks the opportunity to show that issuance or renewal of a permit was mistakenly denied or where the Board is not able to determine whether it should be granted or denied, the Board may issue to the applicant a provisional permit, which shall expire ninety days after its issuance or when the Board determines whether or not to issue or renew the permit for which application was made, whichever shall first occur.**

**(c) An applicant for initial issuance or renewal of a permit to practice under this 3 Section shall be required to show that:**

**(1) Notwithstanding any other provision of law, a simple majority of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, shareholders, members or managers, belongs to holders of a certificate who are licensed in some state, and such partners, officers, shareholders, members or managers, whose principal place of business is in this state, and who perform professional services in this state hold a valid certificate issued under Section 6 of this Act or the corresponding provision of prior law or are public accountants registered under Section 8 of this Act. Although firms may include non-licensee owners the firm and its ownership must comply with rules promulgated by the Board. For firms of public accountants, at least a simple majority of the ownership of the firm, in terms of financial interests and voting rights, must belong to holders of registrations under Section 8 of this Act. An individual who has practice privileges under Section 23 who performs services for which a firm permit is required under Section 23(a)(4) shall not be required to obtain a certificate from this state pursuant to Section 6 of this Act.**

COMMENT: The limitation of the requirement of certificates to partners, officers, shareholders, members and managers who have their principal place of business in the state is intended to allow some latitude for occasional visits and limited assignments within the state of firm personnel who are based elsewhere. If those out-of-state individuals qualify for practice privileges under Section 23 and do not have their principal places of business in this state, they do not have to be licensed in this state. In addition, the requirement allows for non-licensee ownership of licensed firms.

**(2) Any CPA or PA firm as defined in this Act may include non-licensee owners provided that:**

**(A) The firm designates a licensee of this state, or in the case of a firm which must have a permit pursuant to Section 23(a)(4) a licensee of another state who meets the requirements set out in Section 23(a)(1) or in Section 23(a)(2), who is responsible for the proper registration of the firm and identifies that individual to the Board.**

- (B) All non-licensee owners are of good moral character and active individual participants in the CPA or PA firm or affiliated entities.**
- (C) The firm complies with such other requirements as the Board may impose by rule.**

**(3) Any individual licensee and any individual granted practice privileges under this Act who is responsible for supervising attest or compilation services and signs or authorizes someone to sign the accountant's report on behalf of the firm, shall meet the competency requirements set out in the professional standards for such services.**

**(4) Any individual licensee and any individual granted practice privileges under this Act who signs or authorizes someone to sign the accountants' report on behalf of the firm shall meet the competency requirement of the prior subsection.**

COMMENT: Because of the greater sensitivity of attest and compilation services, professional standards should set out an appropriate competency requirement for those who supervise them and sign attest or compilation reports. However, the accountant's report in such engagements may be supervised, or signed, or the signature authorized for the CPA firm by a practice privileged individual.

**(d) An applicant for initial issuance or renewal of a permit to practice under this Section shall be required to register each office of the firm within this State with the Board and to show that all attest and compilation services as defined herein rendered in this state are under the charge of a person holding a valid certificate issued under Section 6 of this Act or the corresponding provision of prior law or some other state.**

**(e) The Board shall charge a fee for each application for initial issuance or renewal of a permit under this Section in an amount prescribed by the Board by rule.**

**(f) An applicant for initial issuance or renewal of permits under this Section shall in their application list all states in which they have applied for or hold permits as CPA firms and list any past denial, revocation or suspension of a permit by any other state, and each holder of or applicant for a permit under this Section shall notify the Board in writing, within 30 days after its occurrence, of any change in the identities of partners, officers, shareholders, members or managers whose principal place of business is in this State, any change in the number or location of offices within this State, any change in the identity of the persons in charge of such offices, and any issuance, denial, revocation, or suspension of a permit by any other state.**

- (g) Firms which fall out of compliance with the provisions of the section due to changes in firm ownership or personnel, after receiving or renewing a permit, shall take corrective action to bring the firm back into compliance as quickly as possible. The State Board may grant a reasonable period of time for a firm to take such corrective action. Failure to bring the firm back into compliance within a reasonable period as defined by the Board will result in the suspension or revocation of the firm permit.**
- (h) The Board shall by rule require as a condition to renewal of permits under this Section, that applicants undergo, no more frequently than once every three years, peer reviews conducted in such manner as the Board shall specify, and such review shall include a verification that individuals in the firm who are responsible for supervising attest and compilation services and sign or authorize someone to sign the accountant's report on the financial statements on behalf of the firm meet the competency requirements set out in the professional standards for such services, provided that any such rule –**
- (1) shall be promulgated reasonably in advance of the time when it first becomes effective;**
  - (2) shall include reasonable provision for compliance by an applicant showing that it has, within the preceding three years, undergone a peer review that is a satisfactory equivalent to peer review generally required pursuant to this subsection (h);**
  - (3) shall require, with respect to any organization administering peer review programs contemplated by paragraph (2), that it be subject to evaluations by the Board or its designee, to periodically assess the effectiveness of the peer review program under its charge, and**
  - (4) \*may require that organizations administering peer review programs provide to the Board information as the Board designates by rule; and**
  - (5) \*shall require with respect to peer reviews contemplated by paragraph (2) that licensees timely remit such peer review documents as specified by Board Rule or upon Board request and that such documents be maintained by the Board in a manner consistent with Section 4(j) of this Act.**

**\* Due to its 1988 commitment to its members, the AICPA cannot support this provision at this time. 31 32**

COMMENT: The AICPA and NASBA both agree that periodic peer reviews are an important means of maintaining the general quality of professional practice. In the interests of providing flexibility where appropriate or desirable, this provision would give the Board latitude when to require reviews. Paragraph (2) is intended to recognize that there are other valid reasons besides state regulation for which firms may undergo peer reviews (for example, as a condition to membership in the AICPA). It is also intended to avoid unnecessary duplication of such reviews, by

providing for the acceptance of peer reviews performed by other groups or organizations whose work could be relied on by the Board. If a peer review requirement is established by the Board, paragraph (3) requires that the Board assure that there is an evaluation of the administration of the peer review program(s) which is accepted by the Board, which is performed either by the Board or its designee. Paragraph (4) would require the administering entities of peer review programs to provide the Board information, as required by rule. Paragraph (5) requires that licensees remit peer review documents to the Board, as specified by rule, and that these documents would be maintained subject to the confidentiality provision in Section 4(j) of the Act.

Paragraphs (4) and (5) primarily address the ability of the Board to have direct access to peer review results. Previous editions of the UAA contained language that could have been interpreted to either not permit or to limit state boards' access to results of the peer review process. Language that restricted the Board's ability to access the results of peer review was consistent with the AICPA's commitment to its membership to maintain the confidentiality of peer review materials that were generated through the AICPA peer review program. However, in response to regulatory concerns it was determined that new language was needed to provide for greater transparency. At its spring 2004 meeting, AICPA's governing Council approved a resolution in support of increased transparency in the peer review process. However, as a result of the AICPA's 1988 commitment to its membership to maintain the confidentiality of peer review results, the AICPA's Council will not act on its resolution without a vote of the AICPA's membership. The AICPA will not pursue a vote of its membership until the membership has fully considered the issues surrounding this matter. Until that time, a solution for the UAA was crafted that recognized the authority of state boards of accountancy to take action and at the same time allowed the Institute to keep its commitment to the AICPA membership on confidentiality of peer review materials. For that reason, paragraphs (4) and (5) are marked with an asterisk (\*) that states "Due to its 1988 commitment to its members, the AICPA cannot support this provision at this time."

The term "peer review" is defined in section 3(n).



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**CPC Item VI.**  
September 17, 2015

**CBA Item VIII.B.6.**  
September 17-18, 2015

## **Update on the Study of California's Attest Experience Requirement**

**Presented by:** Gina Sanchez, Licensing Division

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an update on the progress of the study of California's 500-hour attest experience requirement for certified public accountant (CPA) licensure.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

At its January 2015 meeting, the CBA decided to move forward with the study of California's attest experience requirement. On May 20, 2015, phase two of the attest study contract was approved. CPS HR Consulting (CPS HR) began working on building the study in its online survey system – Qualtrics. On July 14, 2015, the attest study was released in a pre-testing environment to a limited number of individual stakeholders (approximately 300), which were randomly selected from the targeted audiences in order to assess the reliability of each survey question and ensure that each question was interpreted correctly by stakeholders.

### **Comments**

Following the close of the pre-test, CPS HR reported that 61 individual stakeholder responses were received. Fifty-eight of the 61 respondents had either positive comments or no comments. CPS HR and CBA staff examined the results of the pre-test and determined that no revisions to the survey were necessary. The full study launched on August 11, 2015. In an effort to obtain a high volume of participation CBA staff is employing several methods of outreach via the CBA website, social media, UPDATE articles, E-News, press releases, letters/mailers, and partnerships with outside agencies such as the California Society of CPAs and the National Association of State Boards of Accountancy. The study was also disseminated to other state boards of accountancy and responses are being gathered and compiled for inclusion in the final study report.

## **Update on the Study of California's Attest Experience Requirement**

Page 2 of 2

The survey window will be open until October 31, 2015. Preliminary data from the California study and the results of information gathered from other state boards of accountancy will be presented to the CBA at its November 2015 meeting.

In early 2016, the CBA will receive a comprehensive report of the study and begin deliberation on the attest experience requirement for CPA licensure and determine whether changes, if any, are needed.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff have no recommendation on this agenda item, but value feedback from members regarding the progress of the study.

### **Attachment**

None.



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**MSG Item II.**  
September 17, 2015

**CBA Item VIII.C.2.**  
September 17-18, 2015

## **The Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives**

**Presented by:** Written Report Only

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### **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. <sup>1</sup>
May 2015	The MSG opined that the National Association of State Boards of Accountancy's Guiding Principles of Enforcement (NASBA Enforcement Guidelines) meet or exceed the CBA's enforcement practices.
July 2015	The MSG selected NASBA to assist the CBA in comparing the enforcement practices of other states to the NASBA Enforcement Guidelines.
July 2015	The MSG will meet in conjunction with scheduled CBA meetings until the comparison project is complete.

<sup>1</sup> 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**

<b>Date Added or Revised</b>	<b>Objective</b>
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.**  
September 17, 2015

**CBA Item VIII.C.3.**  
September 17-18, 2015

## **Timeline for Activities Regarding Determination to be Made Pursuant to Business and Professions Code Section 5096.21**

**Presented by:** Written Report Only

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### **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**) pursuant to Business and Professions Code (BPC) section 5096.21.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **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 California Board of Accountancy (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.
3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

## **Timeline for Activities Regarding Determination to be Made Pursuant to Business and Professions Code Section 5096.21**

Page 2 of 2

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. The National Association of State Boards of Accountancy 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 reflects 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 do not have a recommendation on this agenda item.

### **Attachment**

Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21



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**Attachment**

## **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 determined how best to compare other states' enforcement practices with the NASBA Enforcement Guidelines
Summer/Fall 2015	Staff implemented NASBA as 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 NASBA.
September 2016	CBA reviews the final findings provided by NASBA.

#### 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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**MSG Item IV.**  
September 17, 2015

**CBA Item VIII.C.4.**  
September 17-18, 2015

**Discussion Regarding the Amount of Disciplinary History Information to be Available on the Internet in Order to Meet Business and Professions Code Section 5096.21(c)(4)**

**Presented by:** Matthew Stanley, Information and Planning Officer

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**Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding the amount of information that must be posted on the Internet in order for a state to satisfy the requirement of Business and Professions Code (BPC) section 5096.21(c)(4) (**Attachment 1**).

**Action(s) Needed**

No specific action is required on this agenda item.

**Background**

BPC section 5096.21(a) requires the CBA to determine, on and after January 1, 2016, whether allowing individuals from a particular 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. The National Association of State Boards of Accountancy (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.

## **Discussion Regarding the Amount of Disciplinary History Information to be Available on the Internet in Order to Meet Business and Professions Code Section 5096.21(c)(4)**

Page 2 of 4

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.

Fulfillment of the third condition is underway. At its July 22-23, 2015 meeting, the CBA selected NASBA to assist in comparing whether a state's enforcement practices are substantially equivalent to NASBA's Enforcement Guidelines.

With this agenda item, the CBA will gain a better understanding of the fourth condition in which the Legislature requires a minimum level of disciplinary history for state's licensees to be publicly available through the Internet. While a state may be deemed substantially equivalent to the NASBA Enforcement Guidelines, it must also satisfy this condition outlined in law to remain under the no notice, no fee practice privilege program.

At its July 2015 meeting, the CBA requested this agenda item to be brought to provide it with an opportunity to decide the level of information required to be posted on the Internet and how that information should be displayed. During the development of the agenda item, NASBA raised a legal question regarding whether the CBA had the legal authority to set the required disciplinary level higher than that established in BPC section 5096.21(c)(4). After consulting with Department of Consumer Affairs' legal counsel, it was determined that the Legislature had already established the minimum amount of information required in the law.

### **Comments**

BPC section 5096.21(c)(4) requires information to be publicly available in a manner that allows the CBA to link the consumer to an Internet website to obtain information that is at least equal to the information that was previously available on the California practice privilege form (**Attachment 2**). The form required a licensee to disclose whether or not they 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:

- (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.

If a person indicated that they had a license surrendered, denied, suspended, revoked, or otherwise disciplined or sanctioned, the form required that additional information be provided through an attachment on which the person self-reported explanatory details.

## **Discussion Regarding the Amount of Disciplinary History Information to be Available on the Internet in Order to Meet Business and Professions Code Section 5096.21(c)(4)**

Page 3 of 4

The CBA would use whatever information the applicant provided as a starting point for conducting its own investigation. If circumstances warranted action, the CBA would revoke the practice privilege and post a flag on its website indicating the disciplinary action. Because the explanatory details provided by applicants could vary from person to person, the information that was consistently previously available through the practice privilege form was the indicator, or flag, that previous disciplinary action had been taken. Therefore, it appears this is the level of information that the Legislature is requiring to be publically made available through the Internet.

Staff performed research to identify Internet resources that make a flag for disciplinary history publicly available. To assist members, staff have provided an overview of the research (**Attachment 3**), which includes a review of how the CBA, CPAverify, and individual state websites display disciplinary history through the Internet. It is possible that some states may have laws that limit a board's ability to publicly display certain information.

Staff have also prepared preliminary findings regarding which states flag disciplinary history for their licensees on the Internet (**Attachment 4**). For those states where disciplinary history cannot be found by staff, it is expected that NASBA will work with those states to determine if such information is, or can be made, available on the Internet.

In order to best protect the consumers, the law appears to require that the disciplinary flag be available on the Internet in a manner that allows the public to check on any licensee in the country. Therefore, it would appear that having this disciplinary flag available on CPAverify or on another state board of accountancy website would be the appropriate location. However, another interpretation was put forward at the Mobility Stakeholders Group's July 2015 meeting that only those who are lawfully practicing in California under a practice privilege, and who have turned in a pre-notification form, need to be flagged for disciplinary history, and this flag could be on the CBA's own website.

### Next Steps

Absent other direction by the CBA, it is presumed NASBA will use the interpretations outlined in this agenda item as it begins reviewing states for substantial equivalency to the NASBA Guiding Principles of Enforcement, and NASBA will work with each state to determine if disciplinary history information is, or can be made, available on the Internet.

### Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

### Recommendation

Staff does not have a recommendation on this agenda item.

**Discussion Regarding the Amount of Disciplinary History Information to be Available on the Internet in Order to Meet Business and Professions Code Section 5096.21(c)(4)**

Page 4 of 4

**Attachments**

1. BPC section 5096.21
2. Prior Practice Privilege Form
3. An Overview of How Disciplinary History is Available on the Internet
4. Preliminary Findings Regarding Which States Flag Disciplinary History

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**Attachment 1****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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**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 2**

**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](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.



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>



**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.





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



## Attachment 3

### An Overview of How Disciplinary History is Available on the Internet

#### Disciplinary History Available on the CBA Website

Through license lookup, the CBA provides the consumer with an indication of whether a license has been subject to disciplinary actions and/or subsequent restrictions.

Consumers can then link to details, which contain the following information:

- Summaries, accusations and final decision orders for all decisions since July 1, 1993 for licenses revoked or surrendered, and those licensees with license restrictions.
- Summaries, accusations and final decision orders for all decisions taking effect on or after January 1, 2005 that resulted in a license being placed on probation. Prior to this date, for licenses that were placed on probation, the summaries, accusation and final decision orders were removed after seven years from the decision effective date. The website directs consumers to contact the CBA's Enforcement Division for further information regarding these actions.
- Current effective Interim Suspension Orders (ISO) or Temporary Restraining Orders (TRO).

California Board of Accountancy

Department of Consumer Affairs  
 California Board of Accountancy

Home License Lookup Consumers Licenses Applicants Forms Publications What's New Laws and Rules About Us Contact Us

California-Licensed CPAs | California-Licensed Accounting Firms | Out-of-State Licensed CPAs | Out-of-State Registered Accounting Firms |

### CALIFORNIA BOARD OF ACCOUNTANCY

Licensee Name: [REDACTED]  
 License Type: Certified Public Accountant  
 License Number: [REDACTED]  
 License Status: CLEAR, RESTRICTED [Definition](#)  
 Experience Completed: [A Definition](#)  
 Expiration Date: January 31, 2017  
 Issue Date: May 10, 1996  
 Address: [REDACTED]  
 City: [REDACTED]  
 State: CA  
 Zip: 95023  
 City: SACRAMENTO

**Disciplinary Actions/License Restrictions: Yes [Details](#)**

**Disclaimer for Disciplinary Action Summary**  
 The reports contained as part of this Web site represent summaries of those formal disciplinary orders issued by the Department of Consumer Affairs (Department) and its participating programs, boards, committees, and commissions, imposing suspension, revocation or other discipline. Disciplinary proceedings that are resolved by dismissal of the accusation or otherwise result in no actual discipline of a license are not reported at this Web site.  
 Summary information on recent orders is prepared approximately thirty (30) days after the final decision date of a disciplinary case. Therefore, although this web site may presently lack any such report, some licensees will actually be named in accusations, or be subject to disciplinary orders. The lack of a summary for a particular licensed person does not mean that the licensee has never been the subject of an accusation or administrative discipline.  
 The brief summaries offered at this web site are not intended as substitutes for the actual decisions and orders issued by the Department and its participating programs, boards, committees, and commissions. Copies of those decisions and orders are available at no cost by writing to the designated address for each program or board.  
 Also, the actions reported here may not be final and may not reflect any judicial action to stay or modify the administrative order. You should not take any action based on information contained in these summaries without verifying the information and determining whether the administrative order has been stayed or modified by a court. As used in this summary, the term "accusation" is a formal document that notifies a licensee of the agency's charges against the licensee, and that requests a disciplinary order. The licensee is entitled to contest the charges in a formal hearing before an administrative law judge. An accusation is usually resolved by an agency decision following such a hearing or by an agency decision pursuant to a settlement agreement. Often there is a considerable period of time between the date of filing an accusation and the resolution of the accusation.  
 The term "suspended" means that the licensee is prohibited for a period of time from engaging in activities for which licensure is required, usually for a specified number of days or months. A suspension will usually be imposed in conjunction with a lengthy period of probation of one or more years.  
 The term "revoked" means that the individual, partnership, or corporation is no longer licensed as a result of a disciplinary action. The revoked licensee has the right, one year or more after the revocation, to petition the California Board of Accountancy for reinstatement. Reinstatement of the revoked license must be approved by the Board and may include probation and/or terms and conditions.  
 For a copy of these actions, please contact the Board by mail, e-mail, telephone, or fax as listed below:  
 Email: [enforcementinfo@cba.ca.gov](mailto:enforcementinfo@cba.ca.gov)  
 Telephone: (916) 561-1729  
 FAX: (916) 263-3673

## Disciplinary History Available Through CPAVerify

CPAVerify provides an indication (Flag) of disciplinary history and provides the consumer with a disclaimer to contact the state board for official verification and further information. Of the 50 jurisdictions participating in CPAVerify, 31 provide information to the site regarding disciplinary history. If a participating state does not provide disciplinary history to CPAVerify, the report will specify that the state does not provide this type of data.

08/17/15 11:02:24  
CPAVerify Individual Report Results

---

NAME: ██████████  
STATE OF LICENSE: AZ  
LAST UPDATED: 2015-08-15

Address: ██████████  
License/Permit/Certificate Number: ██████████  
Registration Number: ██████████  
License/Permit/Certificate Status: ACTIVE

License/Certificate Status Details: INDIVIDUAL: A certificate whose holder is current with all requirements for certification and is authorized to use the CPA designation.  
FIRM: A firm whose partner is current with all requirements for registration and is authorized to use the CPA designation and represent to the public that it is a CPA firm.

License Type: CPA  
License Type Details: An individual that holds a license to practice public accounting or is an individual exercising practice privileges pursuant to Arizona Administrative Code and Arizona Revised Statutes Title 32, Chapter 6.

Basis for License:  
Issue Date: 2013-10-07  
Expiration Date:  
Enforcement, Non-Compliance or Disciplinary Actions: State Does Not Provide This Type of Data At This Site  
Other Information: The Arizona Board only lists licenses that it is currently regulating or has regulated in the last ten years. Call our office to inquire about CPAs or CPA firms that have not been regulated in over ten years.

Contact the Board for official verification of information.

---

Details of Enforcement, Non-Compliance or Disciplinary Actions:

1. If "Contact State Board For Details" is displayed then the State Board has reported some type of enforcement, non-compliance or disciplinary action to this site and the State Board should be contacted for full details about the action reported.
2. If "None Reported To This Site By The Board" is displayed then the State Board provides enforcement, non-compliance and disciplinary action data to this site and none was indicated for this record.
3. If "State Does Not Provide This Type of Data At This Site" is displayed then CPAVerify is not currently receiving enforcement, non-compliance or disciplinary action data for licensees in this state. Some states are limited to sharing this type of data with third party websites due to privacy laws or policies, but most State Boards offer this information on their official State Board websites.
4. Contact the State Board for official verification of all enforcement, non-compliance and disciplinary activity.

The results shown here include all data made available by participating states. Additional data about the individual or firm may exist and is not shown here for other states that are not yet participating in the CPAVerify website. Please refer to the [Participating States tab](#) for more information about which states are currently sharing their licensing data for use with this website and for clarification about which states these results do not include. If the Board of interest is not participating, you may refer to the ["Contact Boards"](#) tab where a link to every Boards' website and therefore individual license lookup tool is available.

Page: 2 of 3 Words: 299 120%

The states that do provide disciplinary history to CPAVerify will return a search with one of the following two possible results.

- None reported to this site by the board. This means the state reports disciplinary history but none was reported for this person.

08/06/15 16:22:40  
CPAVerify Individual Report Results

NAME: [REDACTED]  
STATE OF LICENSE: OH  
LAST UPDATED: 2015-08-05

Address:  
License/Permit/Certificate Number: [REDACTED]  
Registration Number:  
License/Permit/Certificate Status:  
License/Certificate Status Details:  
License Type:

ACTIVE  
The license is current and in good standing.  
CPA-REGISTRATION  
The Ohio registration may be obtained by any person who is not employed in public accounting and does not perform regulated services. A licensee who obtains the Ohio registration must use the term "inactive" after the CPA designation in print at least as prominent as the "CPA." For a definition of regulated services, refer to the Board rules: <http://codes.ohio.gov/cao/4701-7-04>  
EXAM  
Certificate of Certified Public Accountant. Applicants who have passed the Uniform CPA Examination and are not licensed to practice public accounting in any jurisdiction may apply for an Initial License in Ohio.

Issue Date: 1999-11-15  
Expiration Date: 2015-10-05

Enforcement, Non-Compliance or Disciplinary Actions: None Reported To This Site By The Board

Other Information:  
Contact the Board for official verification of information.

Details of Enforcement, Non-Compliance or Disciplinary Actions:

1. If "Contact State Board For Details" is displayed then the State Board has reported some type of enforcement, non-compliance or disciplinary action to this site and the State Board should be contacted for full details about the action reported.
2. If "None Reported To This Site By The Board" is displayed then the State Board provides enforcement, non-compliance and disciplinary action data to this site and none was indicated for this record.
3. If "State Does Not Provide This Type of Data At This Site" is displayed then CPAVerify is not currently receiving enforcement, non-compliance or disciplinary action data for licensees in this state. Some states are limited to sharing this type of data with third party websites due to privacy laws or policies, but most State Boards offer this information on their official State Board websites.
4. Contact the State Board for official verification of all enforcement, non-compliance and disciplinary activity.

The results shown here include all data made available by participating states. Additional data about the individual or firm may exist and is not shown here for other states that are not yet participating in the CPAVerify website. Please refer to the [Participating States](#) tab for more information about which states are currently sharing their licensing data for use with this website and for clarification about which states these results do not include. If the Board of interest is not participating, you may refer to the "Contact Boards" tab where a link to every Board's website and therefore individual license lookup tool is available.

- Contact state board for details. This means the state reports disciplinary history, and this person has been flagged.

cpaverify\_report (9).pdf - Adobe Reader

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Tools Sign Comment

08/10/15 14:03:19  
CPAVerify Individual Report Results

---

NAME: [REDACTED]  
 STATE OF LICENSE: CO  
 LAST UPDATED: 2015-08-09

Address: [REDACTED]  
 License/Permit/Certificate Number: [REDACTED]  
 Registration Number:  
 License/Permit/Certificate Status:

License/Certificate Status Details:

License Type:  
 License Type Details:  
 Basis for License:  
 Basis for License Details:

Issue Date:  
 Expiration Date:  
 Enforcement, Non-Compliance or Disciplinary Actions:  
 Other Information:

ACTIVE  
 The status of a Licensees Certificate, license, or Registration, or other authority allowing the Licensee to assume or use the CPA designation and to offer or perform any service for which an active certificate of CPA or active or valid registration is required pursuant to Section 12-2-120(6), C.R.S.  
 CPA  
 Certified Public Accountant  
 EXAMINATION  
 Colorado Certificate was granted based on fulfilling the Colorado Examination requirements.  
 2004-05-21  
 2015-11-30  
[Contact State Board For Details](#)

[Contact the Board for official verification of information.](#)

---

Details of Enforcement, Non-Compliance or Disciplinary Actions:

1. If "Contact State Board For Details" is displayed then the State Board has reported some type of enforcement, non-compliance or disciplinary action to this site and the State Board should be contacted for full details about the action reported.
2. If "None Reported To This Site By The Board" is displayed then the State Board provides enforcement, non-compliance and disciplinary action data to this site and none was indicated for this record.
3. If "State Does Not Provide This Type of Data At This Site" is displayed then CPAVerify is not currently receiving enforcement, non-compliance or disciplinary action data for licensees in this state. Some states are limited to sharing this type of data with third party websites due to privacy laws or policies, but most State Boards offer this information on their official State Board websites.
4. Contact the State Board for official verification of all enforcement, non-compliance and disciplinary activity.

The results shown here include all data made available by participating states. Additional data about the individual or firm may exist and is not shown here for other states that are not yet participating in the CPAVerify website. Please refer to the [Participating States](#) tab for more information about which states are currently sharing their licensing data for use with this website and for clarification about which states these results do not include. If the Board of interest is not participating, you may refer to the ["Contact Boards"](#) tab where a link to every Boards' website and therefore individual license lookup tool is available.

1

## Disciplinary History Available on the State Websites

States vary greatly in the amount of information they make available on their websites.

Oregon provides consumers with a full disclosure of disciplinary history, similar to that of California. A licensee with disciplinary history is flagged on the state's license lookup. The user is then directed to a disciplinary action report on the website which provides a full listing of final disciplinary actions.

The screenshot shows the Oregon Board of Accountancy website. The browser address bar displays 'licenseesearch.oregonboa.com'. The page header includes the Oregon.gov logo and a navigation menu with options like 'TEXT SIZE: A+ A- A', 'TEXT ONLY', and 'TRANSLATE'. The main content area is titled 'Board of Accountancy' and features a sidebar with various links such as 'About Us', 'Address Change', 'Administrative Rules & Revised Statutes', etc.

A 'View Detail' pop-up window is open, displaying the following information:

Individual Information	
License Number	[REDACTED]
Status	REVOKED
Type	CPA
Name	[REDACTED]
Address	[REDACTED]
Date License Granted	2/3/2004
Expires	6/30/2012
Firm Name	[REDACTED]
Muni	[REDACTED]
CPE Carryover Hours	[REDACTED]
<b>Disciplinary</b>	<b>Yes</b>

Below the pop-up window, a table shows disciplinary actions:

	Status	Expires	Disciplinary
OR	Revoked	6/30/2012	Yes

A yellow box highlights the following text:

A 'Yes' answer in the disciplinary column indicates that the Oregon Board of Accountancy's record of the CPA, PA or registered firm includes a final outcome of one or more disciplinary actions. More detail on disciplinary actions is available on the front page of the Board's web site through the continually updated Disciplinary Action Report, posted in alphabetical and chronological order. Discipline is reported as 'yes' when the outcome is a final resolution of the matter. This means that if the Board has proposed disciplinary action, but the matter is not yet resolved either through a legal process or settlement agreement, it will not be flagged with a 'Yes' in the disciplinary column. If you need additional information on a disciplinary action beyond what is reported on the Board's web site, please contact Bethany Reeves at 503-378-2270 or by e-mail at bethany.reeves@state.or.us

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www.oregon.gov/boa/docs/DAR\_Alpha\_Mar\_2015\_formatted.pdf

Other bookmarks

1



## DISCIPLINARY ACTION REPORT IN ALPHABETICAL ORDER BY LAST NAME

Board of Accountancy (January 1, 2011 – March 9, 2015)

The following is a complete listing of all final public disciplinary actions or actions in lieu of discipline taken by the Board since 2010 and through January 1, 2015. This information is provided in accordance with the public records law, ORS 192.420 and ORS 676.175(3). If you require the full text of the Disciplinary Action, please refer to the last page of this report for contact information.

---

**CASE #10-130CNK**

Settlement Agreement and Stipulated Final Order of Revocation (October 20, 2014)

In case #10-130CNK, the Board approved and adopted a settlement agreement which revokes Respondent's CPA certificate and permit, assesses civil penalties due to multiple rule violations, and terminates the Acarregui Accountancy PC registration.

In lieu of summarizing the contents of the settlement agreement, the full record of the document can be accessed here: [LINK](#)

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www.oregon.gov/boa/docs/DAR\_Alpha\_Mar\_2015\_formatted.pdf

Other bookmarks

Board Administrative laws and rules, Respondent gave the client his client file without the CPAs knowledge or consent. Respondent represented in a letter to the Board that he didn't solicit CPA's clients when, in fact, he had.

The Order provided and Respondent agreed to violations of: of OAR 801-030-0020(1) - Professional misconduct; and OAR 801-030-0020(7), Board communications and investigations, to pay civil penalties of \$500 and to complete 4 hours CPE in ethics.

**CASES #12-072NK, 13-005, and 13-006**

Final Order by Default (License Revocation, Civil Penalties) (May 7, 2014)

In cases #12-072NK, 13-005 and 13-006 the Board issued a Notice of Intent to Impose Discipline and Notice of Right to Hearing on March 3, 2014, based on the Board's determination that there was sufficient evidence of a preliminary finding of violations by Respondent of at least twenty-two (22) violations of Oregon law and administrative rules, as follows:

1. Respondent violated ORS 673.320(3), Use of the title C.P.A., when he falsely represented himself as a CPA in his email signature line after his license to practice as a CPA had lapsed. (At least 6 violations)
2. Respondent violated OAR 801-030-0010(1)(b), Due Professional Care, when Respondent represented and promised his clients, both verbally and in writing, that he would provide tax services. Because Respondent's license had lapsed, said performance would constitute multiple violations of Oregon Board of Accountancy Administrative Statutes and Rules. Respondent's clients relied on Respondent's promises and paid Respondent for his services only to learn that Respondent could not lawfully provide the services, and that his representations and promises were false. Respondent did not inform his clients that he was unable to perform this work; as a result the clients' income tax filings were not timely filed with the taxing authorities. (At least 3 violations).
3. Respondent violated OAR 801-030-0015(2)(b), Requested records, when he did not respond to client requests for their records and documents and did not return the records to them. (At least 2 violations).
4. Respondent violated OAR 801-030-0020(1), Professional misconduct, when he stopped responding to client phone calls and email messages. (At least 6 violations).
5. Respondent violated OAR 801-030-0020(7), Board communications and investigations, when he failed to respond to at least five letters from the Board in connection with its investigations. (At least 3 violations).
6. Respondent violated OAR 801-030-0020(9), Notification of change of address, when he failed to notify the Board of his change of address, as evidenced by the return of letters sent to his office address of record. (At least 2 violations).

Respondent did not avail himself of the opportunity to request a hearing, and therefore a Final Order of Default imposing License Revocation and imposing a \$100,200 civil penalty and assessing \$500.00 in Board costs was issued on May 7, 2014.

---

**CASE #12-033NK**

Page 21 of 34

Board of Accountancy – Alphabetical Disciplinary Report: Final Board Actions from January 1, 2011 – March 9, 2015

Texas provides a brief summary of disciplinary history on its license lookup, which includes the case number, the date the case was opened and closed, the outcome, and the result.

CPA Verify | cpaverify\_report (11).pdf | Texas State Board of Public Accountancy

https://www.tsbpa.state.tx.us/php/fpl/indlookup.php?x=o8wj8%2B%2FFVfo%3D

Apps For quick access, place your bookmarks here on the bookmarks bar. Import bookmarks now... Other bookmarks

 **Texas State Board of Public Accountancy**  
William Treacy, Executive Director

**Individual Licensee - [REDACTED]**

[Search Help](#) | [Status Values](#) | [Terms of Use](#)

Certificate last name  
[REDACTED]

Contact information (most recent)  
[REDACTED]

Date certified/registered  
02/28/1983

License expiration date  
12/31/1987

**Status**

**Administrative Revocation**

Employment areas most recently reported

Full time  
NONE REPORTED

Part time  
NONE REPORTED

Firms in which the individual is a partner, shareholder, owner, officer, director, or resident manager  
NO OWNERSHIP REPORTED

History of disciplinary actions  
Complaint 9011-1574L was opened on 11/05/1990 and was closed on 01/24/1991 with a resolution, Revocation.  
Violation(s) Regarding:  

- Nonpayment of fees for 3 years, Administrative action

[Back to Selection](#) [TSBPA Home](#)

Maryland, through its online license search, provides basic information for its “active” licensees only. No indication or flag or disciplinary history is available.

**STATE OF MARYLAND**  
**DLLR**  
DEPARTMENT OF LABOR, LICENSING AND REGULATION

**Results for Active Licensed Certified Public Accountants: 105**

The following results do not include current licensees who are on inactive status.

Name	Address	City	State	Zip	Expiration	Category	Reg. #
[REDACTED]	[REDACTED]	BALTIMORE	MD	21210	2017-01-19	ACTIVE C.P.A.	[REDACTED]
[REDACTED]	[REDACTED]	HOWARD BEACH	NY	11414	2016-12-31	ACTIVE C.P.A.	[REDACTED]
[REDACTED]	[REDACTED]	CABIN JOHN	MD	20818	2015-10-05	ACTIVE C.P.A.	[REDACTED]

**DEPARTMENT OF CONSUMER AFFAIRS**

CALIFORNIA BOARD OF ACCOUNTANCY  
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 SACRAMENTO, CA 95815-3832  
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 FACSIMILE: (916) 263-3675  
 WEB ADDRESS: <http://www.cba.ca.gov>

**Attachment 4**

**Preliminary Findings Regarding Which States  
 Flag Disciplinary History**

	Jurisdiction	Participating in CPA Verify	Disciplinary History Flagged through CPA Verify	Disciplinary History Flagged on State's Website – "No" answers may require additional research
1	Alabama	X	No	No
2	Alaska	X	No	Yes
3	Arizona	X	No	No
4	Arkansas	X	Yes	No
5	CNMI	X	No	No
6	Colorado	X	Yes	Yes
7	Connecticut	X	Yes	No
8	Delaware		N/A	Yes
9	DC	X	No	No
10	Florida	X	Yes	Yes
11	Georgia	X	Yes	No
12	Guam	X	Yes	Yes
13	Hawaii		N/A	Yes
14	Idaho	X	Yes	Yes
15	Illinois	X	Yes	Yes
16	Indiana	X	No	Yes
17	Iowa	X	Yes	Yes
18	Kansas	X	Yes	Yes
19	Kentucky	X	Yes	Yes
20	Louisiana	X	Yes	No
21	Maine	X	Yes	Yes
22	Maryland	X	No	No
23	Massachusetts	X	Yes	Yes
24	Michigan		N/A	No
25	Minnesota	X	No	No
26	Mississippi	X	No	No
27	Missouri	X	Yes	Yes
28	Montana	X	Yes	No
29	Nebraska	X	Yes	Yes
30	Nevada	X	Yes	No
31	New Hampshire	X	No	No

32	New Jersey	X	Yes	Yes
33	New Mexico	X	No	Yes
34	New York	X	No	No
35	North Carolina	X	Yes	No
36	North Dakota	X	Yes	No
37	Ohio	X	Yes	No
38	Oklahoma	X	Yes	No
39	Oregon	X	Yes	Yes
40	Pennsylvania	X	Yes	Yes
41	Puerto Rico	X	No	No
42	Rhode Island	X	Yes	No
43	South Carolina	X	No	Yes
44	South Dakota	X	No	Yes
45	Tennessee	X	No	No
46	Texas	X	Yes	Yes
47	USVI	X	No	Yes
48	Utah		N/A	Yes
49	Vermont	X	No	Yes
50	Virginia	X	No	No
51	Washington	X	Yes	Yes
52	West Virginia	X	Yes	No
53	Wisconsin		N/A	Yes
54	Wyoming	X	Yes	Yes



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WEB ADDRESS: <http://www.cba.ca.gov>



**MSG Item V.**  
September 17, 2015

**CBA Item VIII.C.5.**  
September 17-18, 2015

**Discussion Regarding Options Including a Possible Legislative Proposal for  
Expediting a Rulemaking Pursuant to Business and Professions Code  
Section 5096.21(a)**

**Presented by:** Matthew Stanley, Information and Planning Officer

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**Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding options for expediting any potential rulemaking undertaken pursuant to Business and Professions Code (BPC) section 5096.21(a).

**Action(s) Needed**

The CBA may wish to pursue one of the options outlined in this agenda item regarding expediting any potential rulemaking undertaken pursuant to BPC section 5096.21(a).

**Background**

BPC section 5096.21(a) (**Attachment 1**) states that if the CBA determines that allowing individuals from a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public, it shall require, by regulation, out-of-state individuals licensed from that state, to file the notification form and pay the fees as required under the notice and fee practice privilege program.

As the normal rulemaking process takes between 12 to 18 months to complete, at the CBA's July 2015 meeting, it was requested that staff explore methods to reduce the rulemaking time to add and remove states from the no notice, no fee practice privilege program in order to better protect consumers.

**Comments**

Staff explored options for expediting the rulemaking process. The initial option that was explored involved pursuing a regulatory change that would allow the CBA to add and remove states from a list maintained outside of the regulations. After discussions with legal counsel, it was determined that this idea was not feasible because not putting the list of states in regulation may be considered a violation of the Administrative Procedure Act. Legal counsel has advised that the law requires the CBA to identify the particular state failing to meet its standards both at the meeting where the initial determination is made and later in regulation. Once the CBA has voted to remove a particular state from no notice, no fee practice privilege eligibility, the law requires the CBA to adopt

## Discussion Regarding Options Including a Possible Legislative Proposal for Expediting a Rulemaking Pursuant to Business and Professions Code Section 5096.21(a)

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regulations that require out-of-state individuals licensed from that state to meet the CBA's prior notice and fee requirements to practice in California under a practice privilege.

Further, the Office of Administrative Law (OAL) would not approve a regulatory proposal that fails to identify the specific state that the CBA had removed from its eligibility list because those affected by the regulation would not be able to easily identify which states were participating in the program at any given time. In further discussions with legal counsel, two other options were identified to expedite the regulatory action.

### Pursue Emergency Regulation

The first option would be to pursue the rulemaking as an emergency rulemaking. An emergency rulemaking can be in place quickly, usually within a few weeks. An emergency regulation becomes effective after approval by OAL, and remains in effect for 180 days unless it is readopted. The time period of effectiveness for a readoption is 90 days and no more than two readoptions are permitted. The CBA would still need to undertake the normal rulemaking process in order to make the emergency regulations permanent.

According to Government Code section 11342.545, "'Emergency' means a situation that calls for immediate action to avoid serious harm to the public peace, health, safety, or general welfare." The CBA would need to establish in its rulemaking by describing specific facts supported by substantial evidence that demonstrate the existence of an emergency and the need for immediate adoption of the proposed regulation. In addition, if the emergency existed and was known in sufficient time to have been addressed through non-emergency regulations, OAL requires the finding of emergency to include facts explaining the failure to address the situation through nonemergency regulations. A finding of emergency based only upon expediency, convenience, best interest, general public need, or speculation, is not adequate to demonstrate the existence of an emergency.

If the CBA were to pursue this option, it is not clear whether OAL would approve the regulations as an emergency. If OAL disagrees with the CBA's finding of emergency and disapproves the emergency action, the regulations would be processed in accordance with the regular rulemaking process (12-18 month timeframe). It is recommended that the emergency option only be used for removing states from the practice privilege program to protect the public. Adding states may not be seen as an emergency as it may not be viewed as protecting the public from any serious harm. Should the CBA choose this option, no further action would be needed until the time came to direct staff to undertake the potential rulemaking.

### Change Law to Authorize Adoption of Emergency Regulations

The second option would be to amend BPC section 5096.21(a) to provide for a legislatively declared emergency. Suggested language is provided in **Attachment 2**.

## **Discussion Regarding Options Including a Possible Legislative Proposal for Expediting a Rulemaking Pursuant to Business and Professions Code Section 5096.21(a)**

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The timeframes outlined in the first option would still apply, but the CBA would not need to demonstrate by substantial evidence the existence of an emergency to OAL; an emergency would be presumed.

If the CBA chose to pursue the proposed legislative amendment, the emergency would only apply to removing states from the program as BPC section 5096.21(a) is specific to removing states from the no notice, no fee practice privilege program in order to protect the public. Should the CBA choose this option, staff would request that the proposed language be incorporated into next year's annual omnibus bill, or, if that is denied, attempt to find an author for the proposal.

If the CBA does not wish to pursue either of the two options for expediting the rulemaking process, the status quo would remain in effect. This would mean a rulemaking to add and remove states from the no notice, no fee practice privilege program could take between 12 and 18 months.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff recommend that if the CBA chooses to expedite the process that it select the option to change the law to authorize adoption of emergency regulations.

### **Attachments**

1. BPC Section 5096.21
2. Proposed Legislative Change to BPC Section 5096.21(a)

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**Attachment 1****BPC 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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**Attachment 2****Proposed Legislative Change to BPC Section 5096.21(a)****5096.21**

(a) (1) 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.

(2) The board may adopt emergency regulations in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) to implement subdivision (a). The adoption of the regulations shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare for purposes of Sections 11346.1 and 11349.6 of the Government Code.

(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 VI.**  
September 17, 2015

**CBA Item VIII.C.6.**  
September 17-18, 2015

## **Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify**

**Presented by:** Matthew Stanley, Information and Planning Officer

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### **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**

#### **108<sup>th</sup> Annual Meeting**

NASBA will hold its 108<sup>th</sup> Annual Meeting October 26-28, 2015 in Dana Point, CA. Some of the major topics tentatively listed on the agenda include a review of the exposure draft for the New Uniform CPA Examination, limitations and challenges regarding today's availability of peer review information, and discussion panels to address meeting enforcement standards and recognizing changes in Education.

#### **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

## **Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify**

Page 2 of 2

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 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 may be a topic at the upcoming Annual 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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**MSG Item VII.**  
September 17, 2015

**CBA Item VIII.C.7.**  
September 17-18, 2015

## **Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting**

**Presented by:** Matthew Stanley, Information and Planning Officer

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### **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 Progress Made in Comparing Other States to the National Association of State Boards of Accountancy’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 IX.A.**  
 September 17-18, 2015

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

**MINUTES OF THE**  
**July 22-23, 2015**  
**CBA MEETING**

**DRAFT**

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

Roll Call and Call to Order.

CBA President Jose Campos called the meeting to order at 4:30 p.m. on Wednesday, July 22, 2015 at the Holiday Inn Capitol Plaza and immediately convened into closed session. The CBA recessed the meeting at 5:20 p.m. The meeting reconvened into open session on Thursday, July 23, 2015 at 10:56 a.m. The CBA reconvened into closed session from 11:54 a.m. until 12:07 p.m. The CBA reconvened into open session at 1:29 p.m. President Campos adjourned the meeting at 3:27 p.m.

CBA Members

July 22, 2015

Jose Campos, CPA, President	4:30 p.m. to 5:20 p.m.
Katrina Salazar, CPA, Vice-President	4:30 p.m. to 5:20 p.m.
Alicia Berhow, Secretary/Treasurer	4:30 p.m. to 5:20 p.m.
Sarah (Sally) Anderson, CPA	Absent
Herschel Elkins, Esq.	4:30 p.m. to 5:20 p.m.
Laurence (Larry) Kaplan	4:30 p.m. to 5:20 p.m.
Louise Kirkbride	Absent
Kay Ko	Absent
Leslie LaManna, CPA	Absent
Xochitl León	4:30 p.m. to 5:20 p.m.
Jian Ou-Yang, CPA	Absent
Deidre Robinson	4:30 p.m. to 5:20 p.m.
Michael Savoy, CPA	4:30 p.m. to 5:20 p.m.
Mark Silverman, Esq.	4:30 p.m. to 5:20 p.m.
Kathleen Wright, CPA	Absent

CBA Members

July 23, 2015

Jose Campos, CPA, President	10:56 a.m. to 3:27 p.m.
Katrina Salazar, CPA, Vice-President	10:56 a.m. to 3:27 p.m.
Alicia Berhow, Secretary/Treasurer	10:56 a.m. to 3:27 p.m.
Sarah (Sally) Anderson, CPA	10:58 a.m. to 3:10 p.m.
Herschel Elkins, Esq.	10:56 a.m. to 3:27 p.m.
Laurence (Larry) Kaplan	10:56 a.m. to 3:27 p.m.
Louise Kirkbride	Absent
Kay Ko	Absent
Leslie LaManna, CPA	Absent
Xochitl León	10:56 a.m. to 3:27 p.m.
Jian Ou-Yang, CPA	Absent
Deidre Robinson	10:56 a.m. to 3:27 p.m.
Michael Savoy, CPA	10:56 a.m. to 3:27 p.m.
Mark Silverman, Esq.	10:56 a.m. to 3:27 p.m.
Kathleen Wright, CPA	10:56 a.m. to 3:27 p.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Rich Andres, Information Technology Staff  
Pat Billingsley, Regulations Analyst  
Stephen Cooney, Practice Privilege Coordinator  
Angela Crawford, Executive Assistant  
Paul Fisher, Enforcement Supervising ICPA  
Dominic Franzella, Chief, Enforcement Division  
Kathryn Kay, Legislation Analyst  
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  
Angela Wise, Criminal Offender Record Information (CORI) Manager

Committee Chairs and Members

Robert Lee, Chair, CPA, Peer Review Oversight Committee  
Jeffrey De Lyser, CPA, Chair, Enforcement Advisory Committee

Other Participants

Maria Caldwell, Chief Legal Counsel and Director of Compliance Services,  
National Association of State Boards of Accountancy (NASBA)  
Jason Fox, California Society of Certified Public Accountants

Stacey Grooms, Regulatory Affairs Manager, NASBA  
Awet Kidane, Director, Department of Consumer Affairs (DCA)  
Christine Lally, Deputy Director, Board and Bureau Relations, DCA  
Phyllis Mank, Court Reporter, Diamond Court Reporters  
Pilar Oñate-Quintana, KP Public Affairs  
Jon Ross, KP Public Affairs  
Chandra Sharma, Principal, SCP-Group  
Marilynn Woollard, Administrative Law Judge, Office of Administrative  
Hearings

I. 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).

II. Report of the President.

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

Mr. Campos stated that various CBA and committee members and staff attended the NASBA's Western Regional Meeting. He reported that he was given an opportunity to provide a welcome presentation, on behalf of the CBA. As the primary focus of the meeting was consumer protection, the topics included handling discipline matters regarding moral turpitude, the legalization of marijuana in various states, peer review compliance, and continuing education standards.

- B. Report of the CBA Strategic Planning Workshop.

Mr. Campos provided an overview of the CBA Strategic Planning Workshop. He stated members determined the Mission, Vision, and Values were still relevant and the CBA made no changes. Mr. Campos also stated that the CBA will retain the existing goals and the majority of the workshop was spent on developing objectives for the goals. Lastly, he noted that the next step is to prepare a draft strategic plan for review by the Strategic Planning Committee at the September CBA meeting.

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

Ms. Sanchez provided an overview of this agenda item. She stated the majority of the revisions pertain to continuing education (CE) provider requirements and give clarification and uniformity to the language and

terminology. Ms. Sanchez reviewed four of the revised continuing education standards, which include live programs, self-study, nano-learning, and blended learning.

**It was moved by Mr. Kaplan and seconded by Ms. Robinson to prepare a draft letter supporting exploration of all forms of learning.**

**Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

D. DCA Director's Report.

Mr. Kidane provided the DCA Director's Report. He thanked the CBA for the invitation to address the board. Mr. Kidane discussed the pro rata report, BreEZe, recent United States Supreme Court case regarding the North Carolina Board of Dental Examiners. He also highlighted DCA's new division, Change Management. He stated that the BreEZe project is on hold for phase 3 until quality protections can be achieved.

Mr. Elkins inquired if there was a timeframe as to when Phase Three would be complete.

Mr. Kidane stated that he did not want to provide a date until he has the fundamental knowledge that guides DCA to get the best project, contract, and structure. He stated that the methodology will be dependent on the results of the cost analysis.

Mr. Elkins inquired if the CBA would have the ability to accept payments without the completion of BreEZe.

Mr. Kidane stated that the online payment function is not symbiotic with the BreEZe project and he would commit to working with Ms. Bowers and staff to provide the service to licensees.

III. Report of the Vice President.

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

**It was moved by Mr. Elkins and seconded by Mr. Savoy to reappoint Gary Caine, CPA, to the EAC for a two-year term effective August 1, 2015 until July 31, 2017.**

**Yes: Ms. Anderson, Ms. Berhow, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.**

**No: None.**

**Abstain: Mr. Campos.**

**Absent: None.**

**The motion passed.**

**It was moved by Mr. Savoy and seconded by Mr. Elkins to reappoint Jeffrey De Lyser, CPA, and Mervyn McCulloch, CPA, to the EAC for a two-year term effective August 1, 2015 until July 31, 2017.**

**Yes: Ms. Anderson, Ms. Berhow, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.**

**No: None.**

**Abstain: Mr. Campos.**

**Absent: None.**

**The motion passed.**

**It was moved by Mr. Elkins and seconded by Ms. Berhow to reappoint Michael Schwarz, CPA, to the EAC for a two-year term effective August 1, 2015 until July 31, 2017.**

**Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

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

**It was moved by Ms. Berhow and seconded by Mr. Savoy to appoint Christine Gagnon, CPA, to the QC for a two-year term, effective July 24, 2015 until July 31, 2017.**

**Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, 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.

**It was moved by Ms. Anderson and seconded by Mr. Silverman to reappoint Nancy Corrigan, CPA, and Sherry McCoy, CPA, to the PROC for a two-year term, effective July 24, 2015 until July 31, 2017.**

**Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

**It was moved by Ms. Anderson and seconded by Ms. Wright to reappoint Katherine Allanson, CPA, to the PROC for a two-year term contingent on her completion of the mandatory training, effective July 24, 2015 until July 31, 2017.**

**Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and**

**Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

IV. Report of the Secretary/Treasurer.

A. Discussion of Governor's Budget.

Ms. Berhow provided an overview of this agenda item. She stated that the CBA's total proposed budget for Fiscal Year (FY) 2015-16 is \$14,161,000. She stated the CBA has five outstanding General Fund Loans. Mr. Berhow stated that the Department of Finance Loan Obligation Report reflects a scheduled General Fund loan repayment of \$6 million for FY 2015-16. Lastly, she stated that it is anticipated that another \$270,000 will be repaid in FY 2016-17.

V. Petition Hearing.

A. Lawrence KY Pon – Petition for Termination of Probation.

The CBA heard Mr. Pon's petition for termination of his probation.

B. Closed Session, Pursuant to Government Code Section 11126(c)(3), the CBA Convened into Closed Session to Deliberate on Disciplinary Matters (Petition for Termination of Probation).

VI. Report of the Executive Officer (EO).

A. Update on the Relocation of the CBA's Office.

Ms. Bowers stated that the relocation has been delayed to the end of 2015.

B. Update on Staffing.

Ms. Bowers stated that the managers of the Discipline and Probation Monitoring Unit and Criminal Offender Record Information (CORI) units recently accepted promotional opportunities. She announced that Angela Wise was promoted as the new manager of the CORI unit. Ms. Bowers also stated the Kathryn Kay, Legislative Analyst, recently accepted another position and wished her well on her new position.

C. Update on the CBA 2013-2015 Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

VII. Report on the Enforcement Advisory Committee, Qualifications Committee, and the Peer Review Oversight Committee.

A. Enforcement Advisory Committee (EAC).

1. Report of the July 9, 2015 EAC Meeting.

Mr. De Lyser stated the EAC conducted a new member orientation for Thomas Gilbert. He stated that the EAC reviewed 40 closed cases and held two Investigative Hearings. Lastly, Mr. De Lyser thanked Katrina Salazar for attending the meeting.

B. Qualifications Committee (QC).

There was no report on this agenda item.

C. Peer Review Oversight Committee (PROC).

Mr. Lee provided an overview of the NASBA PROC Summit and thanked Governor Brown for approving his out-of-state request to attend the meeting.

VIII. Report of the Enforcement Chief.

A. Report on Enforcement Division Activity.

Mr. Franzella provided an overview of this agenda item. Mr. Franzella stated that the CBA received an additional 467 complaints since the last report and the current total of complaints for FY 2014-15 is over 2,500 complaints. He stated that in FY 2014-15, 86 matters were referred to the Attorney General's Office and 63 matters were closed via discipline. Mr. Franzella noted that staff conducted 13 probation orientation meetings in April.

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

Mr. Franzella provided an overview of this agenda item. He stated that the CBA has 102 probationers. He stated that earlier this year staff began assigning a risk factor to each licensee based on various factors, such as type of violation, length of time the violation occurred and potential for future consumer harm or violation of probation. He also

stated that each probationer placed on probation is scheduled to attend a probation orientation during which the probation monitor and the licensee discuss each term of probation. Lastly, Mr. Franzella stated that the probation monitor reviews the licensee's case monthly to ensure compliance with the probation requirements.

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

Mr. Franzella provided an overview of this agenda item. He stated the tolling is a standard term of probation for licensees permanently residing out of state or who are disciplined under California's mobility provisions.

The CBA determined that no changes to the use of tolling were needed at this time.

XI. Report of the Licensing Chief.

A. Licensing Activity Report.

Ms. Sanchez provided an overview of this agenda item. She stated that the examination and initial licensing units were meeting the processing timeframes for completed applications. She also stated that the attest study was released in a pre-testing environment and was anticipated that the full study will launch in early August. Lastly, Ms. Sanchez provided information regarding the number of CPA applicants. She noted that since FY 2008-09, the number of applicants has remained between 3,500-3,700, with the exception of FY 2013-14 which saw an additional 1,000 applications due to the new educational requirements that took effect on January 1, 2014. Ms. Sanchez stated that additional historical data would be provided at the September meeting.

X. Committee Reports.

A. Legislative Committee (LC).

1. Report of the July 23, 2015 LC Meeting.
2. 2015-16 Legislative Tracking List.

There were no comments on this item.

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

a. Assembly Bill (AB) 85 – Open Meetings

Mr. Silverman reported that AB 85 has no change in status and the CBA currently has an Oppose position. He stated the LC took no action on this item, but did request that staff work to set up meetings with Legislators to further express the CBA's opposition.

The CBA took no action on this bill.

b. AB 507 – DCA: BreEZe: Annual Report

Mr. Silverman reported that AB 507 was recently amended to make the reporting requirements more general and pushed the report date out to March 2016. The LC previously had a Support position and took no action, as the recent amendments do not significantly change the bill status or impact on the CBA.

The CBA took no action on this bill.

c. AB 750 – Business and Professions: Retired Licenses

Mr. Silverman reported that AB 750 failed fiscal committee deadline for 2015 and is now a two-year bill. He noted that the author did express a continued commitment to work with the CBA on an exemption, should the bill be taken up in 2016.

The CBA took no action on this bill.

d. AB 1060 – Professions and Vocations: Licensure

Mr. Silverman reported that that CBA has a Neutral position on an earlier version of AB 1060; however, the bill was amended and is no longer relevant to the CBA, as it deals with cancer clinical trials.

**The LC recommended that the CBA discontinue following AB 1060.**

**Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: None.**

e. Senate Bill (SB) 8 – Taxation

Mr. Silverman reported that the CBA has a Watch position on SB 8, which would revise California's tax system to include taxes on information and services, including accounting and tax preparation. He noted that SB 8 has become a two-year bill and has had no change in status.

The CBA took no action on this bill.

f. SB 467 – CBA's Sunset Review Bill

Mr. Silverman reported that SB 467, the CBA's Sunset Review Bill, was continuing to move through the Legislature and was currently in the Appropriations' suspense file. Mr. Silverman stated that while the bill was heard by the Assembly Business and Professions Committee, the Chair publicly commended the CBA on its superior performance as a board.

The CBA took no action on this bill.

g. SB 799 – Omnibus Bill

Mr. Silverman reported that the CBA has a Support position on SB 799. He stated that the bill was amended to include the CBA's legislative proposal related to clarifying that practice privilege holders may use the CPA designation.

The CBA took no action on this bill.

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

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

Mr. Silverman reported that AB 1351 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 allow for a not guilty plea to be entered.

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

Mr. Silverman reported that AB 1352 would allow a criminal defendant who has a case dismissed upon completion of the deferred entry of judgment program, to wipe out a prior plea, retroactively to 1997.

**The LC recommended that the CBA take a Watch position on AB 1351 and 1352.**

**Yes: Ms. Anderson, Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: None.**

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

Mr. Silverman reported that the LC discussed SB 560, which would require the CBA to provide specified personal information regarding its licensees with the Employment Development Department, upon request. He noted that staff does not anticipate a heavy workload associated with implementing this bill.

The CBA took no action on this bill.

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

1. Report of the July 23, 2015 MSG Meeting.
2. The MSG Decision Matrix and Stakeholder Objectives.

There were no comments on this item.

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

Ms. Salazar reported that staff provided the MSG with a revised timeline that includes dates for activities related to determining other states' substantial equivalence to the NASBA Enforcement Guidelines, making state-by-state determinations, and preparing the final report on the practice privilege program for the Legislature.

**The MSG recommended that the CBA approve the proposed timeline.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms.**

**Wright.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Anderson.**

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.

Ms. Salazar reported that the MSG discussed developing a comprehensive approach by which the CBA might compare other states' enforcement practices to the NASBA Enforcement Guidelines. She reported that the MSG approved the staff-developed State Information Sheet, which will assist with the research. Ms. Salazar stated the MSG accepted staff's recommendation that the CBA direct the MSG to meet in conjunction with each CBA meeting until the project is complete.

Ms. Salazar reported that the MSG chose NASBA to perform the research. She stated that NASBA will mostly rely on data gathered during the drafting of the NABSA Enforcement Guidelines, and it will collect any other information that will assist it in making the substantial equivalence determinations. Ms. Salazar indicated that to provide a foundation for the research, the MSG recommended that NASBA reference the State Information Sheet, but would evaluate that data based on its Objectives for Substantial Equivalency Evaluation. She stated that once completed, the CBA would be provided with a listing of the states by the following categories: substantially equivalent to the guiding principles, substantially equivalent with suggested guidance, and insufficient information for determination. In addition, NASBA would provide staff with the ability to audit the results of the substantial equivalency determination by meeting with NASBA to collectively review states identified by the CBA.

**The MSG recommended the following:**

- **The MSG meet in conjunction with scheduled CBA meetings until the project is complete.**
- **The CBA adopt the NASBA as the entity to perform the research.**
- **The CBA direct staff to communicate the following:**
  - **Expectations to NASBA that it use the State Information Sheet as a guideline for pursuing its research**

- **There be an adequate mechanism for staff to review the information collected by NASBA based on a prioritization of states**
- **NASBA meet the timeline established by the CBA**
- **CPAVerify be a considered factor when determining if disciplinary history is available on the internet**

**Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Anderson.**

5. Discussion Regarding NASBA's Activities and CPAVerify.

Ms. Salazar reported that NASBA will hold its 108<sup>th</sup> Annual Meeting October 25-28, 2015 in Dana Point, California. She also noted that there are currently five states, Delaware, Hawaii, Michigan, Utah, and Wisconsin, that are not participating in ALD and CPAVerify; however, it is anticipated that Michigan will be participating within a few months.

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

Ms. Salazar reported that staff will bring two items to the next MSG meeting, an update on the progress made regarding the comparison of other states' enforcement programs to the NASBA Enforcement Guidelines and a discussion regarding what constitutes disciplinary history.

XI. Acceptance of Minutes.

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

**It was moved by Mr. Silverman and seconded by Mr. Savoy to**

**approve agenda items XI.A. – XI.E.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Kaplan, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.**

**No: None.**

**Abstain: Ms. Robinson.**

**Absent: Ms. Anderson**

**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.

Mr. Savoy reported that Governor Brown approved his attendance at the Strategic Planning Task Force meeting on June 2-4, 2015. He stated that the task force reviewed the current strategic plan, verified the continuing relevance of the plan, and conducted an analysis.

Mr. Savoy reported that the task force will review the draft plan during a future telephone meeting and the report will be presented at the NASBA Annual Meeting in October.

XIII. Closing Business.

A. Public Comments.\*

There were no comments.

B. Agenda Items for Future CBA Meetings.

Mr. Campos requested a future agenda item regarding a potential rulemaking for states that may not be substantially equivalent.

C. Press Release Focus.

There were no suggested topics provided by the CBA or staff.

President Campos adjourned the meeting at 3:27 p.m. on Thursday, July 23, 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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**CBA Item IX.B.**

September 17-18, 2015

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

**MINUTES OF THE**  
**July 22, 2015**  
**CBA MEETING**  
**STRATEGIC PLANNING WORKSHOP**

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

Roll Call and Call to Order.

CBA President Jose Campos called the meeting to order at 1:32 p.m. on Wednesday, July 22, 2015 at the Holiday Inn Capitol Plaza. President Campos adjourned the meeting at 4:17 p.m.

CBA Members

July 22, 2015

Jose Campos, CPA, President	1:32 p.m. to 4:17 p.m.
Katrina Salazar, CPA, Vice-President	1:32 p.m. to 4:17 p.m.
Alicia Berhow, Secretary/Treasurer	1:32 p.m. to 4:17 p.m.
Sarah (Sally) Anderson, CPA	Absent
Herschel Elkins, Esq.	1:32 p.m. to 4:17 p.m.
Laurence (Larry) Kaplan	1:32 p.m. to 4:17 p.m.
Louise Kirkbride	Absent
Kay Ko	Absent
Leslie LaManna, CPA	Absent
Xochitl León	1:32 p.m. to 4:17 p.m.
Jian Ou-Yang, CPA	Absent
Deidre Robinson	1:32 p.m. to 4:17 p.m.
Michael Savoy, CPA	1:32 p.m. to 4:17 p.m.
Mark Silverman, Esq.	3:11 p.m. to 4:17 p.m.
Kathleen Wright, CPA	Absent

## Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Rich Andres, Information Technology Staff  
Pat Billingsley, Regulations Analyst  
Angela Crawford, Executive Assistant  
Paul Fisher, Enforcement Supervising ICPA  
Dominic Franzella, Chief, Enforcement Division  
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)

## Other Participants

Jason Fox, CalCPA  
Donald Driftmier  
Ted Evans, Strategic Planner and Facilitator, DCA  
Pilar Oñate-Quintana, KP Public Affairs  
Joseph Petito, The Accountants Coalition  
Chandra Sharma, Principal, SCP-Group  
Dennis Zanchi, Organizational Manager, DCA

### I. Welcome and Introductions.

Mr. Campos introduced the new CBA member, Deidre Robinson, and the DCA Strategic Planning Unit facilitators, Dennis Zanchi and Ted Evans.

### II. Overview of the Strategic Planning Workshop and its Role in the Development CBA's 2016-18 Strategic Plan.

Mr. Zanchi provided an overview of the Strategic Planning Workshop and its role in the development of the CBA's 2016-18 Strategic Plan.

### IV. Overview of the California Board of Accountancy Environmental Scan.

#### A. Review and Discussion of the CBA's Mission Statement, Vision, and Values.

The CBA reviewed the CBA's Mission Statement, Vision, and Values and made no change, as it was determined that they were still relevant.

#### B. Review of the CBA's 2013-15 Strategic Plan Goals and Development of the CBA's 2016-18 Strategic Plan Goals.

The CBA reviewed the existing goals, which include enforcement, licensing, customer service, outreach, laws and regulations, emerging technologies, and organization effectiveness. Following the review of the goals, the CBA determined that the goals will be retained for the CBA's 2016-18 Strategic Plan.

- V. Discussion Regarding the Establishment of Objectives to Further Define Strategies or Implementation Steps to Attain Goals Identified for the CBA's 2016-18 Strategic Plan.

The CBA discussed and developed objectives for the seven goals. The CBA requested that staff present a draft 2016-18 Strategic Plan to the Strategic Planning Committee at the September meeting, at which time members will determine if an additional facilitative session is needed.

- VI. California Board of Accountancy's 2013-15 Strategic Plan.

The CBA's 2013-15 Strategic Plan was provided for CBA review.

- VII. Public Comments.

No public comments were received.

President Campos adjourned the meeting at 4:17 p.m. on Wednesday, July 22, 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.

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**MSG Item I.**

September 17, 2015

**CBA Item IX.C.**

September 17-18, 2015

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

**MINUTES OF THE  
 July 23, 2015  
 MOBILITY STAKEHOLDER GROUP (MSG) MEETING**

**DRAFT**

Holiday Inn Capitol Plaza  
 300 J Street  
 Sacramento, CA 95814  
 Telephone: (916) 446-0100  
 Fax: (916) 446-0117

**CALL TO ORDER**

Katrina Salazar, Chair, called the meeting of the MSG to order at 9:00 a.m.  
 Ms. Salazar requested that the roll be called.

Members

Katrina Salazar, CPA, Chair	Present
Joe Petito, Vice Chair	Present
Don Driftmier, CPA	Present
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  
 Deidre Robinson  
 Xochitl León  
 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  
Stephen Cooney, Practice Privilege Coordinator  
Angela Crawford, Executive Assistant  
Paul Fisher, Supervising Investigative Certified Public Accountant  
Kathryn Kay, Legislation Analyst  
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  
Angela Wise, Criminal Offender Record Information Unit Manager

Committee Chairs and Members

Robert Lee, Chair, CPA, Peer Review Oversight Committee  
Jeffrey De Lyser, CPA, Chair, Enforcement Advisory Committee

Other Participants

Maria Caldwell, Chief Legal Counsel and Director of Compliance Services,  
National Association of State Boards of Accountancy (NASBA)  
Stacey Grooms, Regulatory Affairs Manager, NASBA  
Jason Fox, California Society of CPAs (CalCPA)  
Awet Kidane, Director, Department of Consumer Affairs (DCA)  
Christine Lally, Deputy Director, Board and Bureau Relations, DCA  
Pilar Oñate-Quintana, KP Public Affairs  
Jon Ross, KP Public Affairs  
Chandra Sharma, Principal, SCP-Group

- I. Approval of Minutes of the July 23, 2015 MSG Meeting.

**It was moved by Mr. Petito and seconded by Mr. Franzella to approve the minutes of the July 23, 2015 MSG Meeting.**

**Yes: Ms. Salazar, Mr. Petito, Mr. Waldman, Mr. Savoy, and Mr. Franzella.**

**No: None.**

**Abstain: Mr. Driftmier.**

**Absent: None.**

**The motion passed.**

II. 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.

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

Mr. Stanley presented a revised timeline that included dates for activities related to determining other states' substantial equivalence to the NASBA Guiding Principles of Enforcement (Enforcement Guidelines), making state-by-state determinations and preparing the final report on the practice privilege program for the Legislature.

To arrive at the timeline, staff calculated the dates based on the two firm dates in Business and Professions Code (BPC) section 5096.21 and the length of time it takes to complete a rulemaking should one be needed. The two dates are January 1, 2018, when the final report on the Practice Privilege program is due to the Legislature, and January 1, 2019, which is the sunset date for the program.

**It was moved by Mr. Driftmier and seconded by Mr. Petito to recommend that the CBA approve the proposed timeline.**

**Yes: Mr. Driftmier, Mr. Franzella, Mr. Petito, Ms. Salazar, Mr. Savoy, Mr. Waldman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

IV. 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.

Mr. Stanley stated that this item would provide the MSG with an opportunity to recommend a comprehensive approach by which the CBA will compare other states' enforcement practices to the NASBA Enforcement Guidelines. Mr. Stanley reviewed the statutory conditions that a state must meet in order to remain in the program, emphasizing that this agenda item will lay the groundwork for how the CBA will proceed in determining whether a state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.

Mr. Stanley presented the MSG with a brief overview of another condition, which requires the disciplinary history of a state's licensees to be publicly available through the Internet. It was reported that, in a future agenda item, the CBA will need to discuss the question of what constitutes disciplinary history in order to make final determinations. Mr. Stanley stated that staff have been interpreting disciplinary history to mean that a consumer can find on the Internet, for any CPA licensee, whether there was prior discipline regardless of timeframe or current license status.

Mr. Ross presented the MSG with an additional viewpoint regarding disciplinary history by indicating that the wording of this section could potentially allow for and include information posted on the CBA's own website.

Mr. Stanley stated that since a project of this size may require feedback and direction, staff are recommending that the CBA direct the MSG to meet in conjunction with each CBA meeting until the project is complete.

Mr. Stanley reported that staff have identified three entities that the CBA may choose to perform the research needed to compare other states' enforcement practices to the NASBA Enforcement Guidelines, which include a consultant, staff, or NASBA. The concept of the State Information Sheet was presented to the MSG, which would guide the research through the NASBA Enforcement Guidelines and other information requested by the CBA.

Mr. Stanley presented, in detail, the three possible methods to perform the research, outlining the approach, deliverables, timeline, and next steps associated with each.

Ms. Salazar stated that the current, streamlined MSG meeting schedule may no longer be adequate, and called for a motion to address the schedule.

**It was moved by Mr. Petito and seconded by Mr. Driftmier to recommend that the CBA direct the MSG to meet in conjunction with scheduled CBA meetings until the project is complete.**

**Yes: Ms. Salazar, Mr. Petito, Mr. Waldman, Mr. Savoy, Mr. Driftmier, and Mr. Franzella.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

Mr. Savoy requested that the NASBA representatives address their thoughts regarding the process and how they can assist the CBA in this project.

Ms. Caldwell clarified that NASBA would not necessarily use the State Information Sheet as addressed previously in Mr. Stanley's report; however, she stated that NASBA has their own database, which is as detailed as the State Information Sheet and mirrors the information contained in the NASBA Enforcement Guidelines.

Mr. Petito stated that NASBA has a wealth of knowledge and is the best entity to perform this research while expressing his concerns with other approaches. He recommended that the MSG discuss the possibility of developing expectations for NASBA in performing the research. He offered his opinion regarding the adequacy of disciplinary history being flagged through CPAVerify and the CBA's website.

Ms. Caldwell stated that not all participating states provide enforcement data to CPAVerify; however, the timeline will allow for NASBA to work with these states to ensure that this information is publicly available. She stated that NASBA is confident in their ability to provide the CBA with the requested information well within the proposed timeline while giving the CBA time to follow-up with boards that require more information.

**It was moved by Mr. Driftmier and seconded by Mr. Petito that the MSG recommend that the CBA adopt NASBA as the entity to perform the research.**

**Yes: Ms. Salazar, Mr. Petito, Mr. Waldman, Mr. Savoy, and Mr. Driftmier.**

**No: None.**

**Abstain: Mr. Franzella.**

**Absent: None.**

**The motion passed.**

**It was moved by Mr. Petito and seconded by Mr. Savoy that the MSG recommend that the CBA direct staff to communicate to NASBA that it use the State Information Sheet as the foundation for pursuing its research.**

**Yes: Ms. Salazar, Mr. Petito, Mr. Waldman, Mr. Savoy, Mr. Driftmier, and Mr. Franzella.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

**It was moved by Mr. Petito and seconded by Mr. Savoy that the MSG recommend that the CBA direct staff to communicate to NASBA that there be an adequate mechanism for staff to assess the information collected by NASBA based on a prioritization of states.**

**Yes: Ms. Salazar, Mr. Petito, Mr. Waldman, Mr. Savoy, Mr. Driftmier, and Mr. Franzella.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

**It was moved by Mr. Petito and seconded by Mr. Savoy that the MSG recommend that the CBA direct staff to communicate to NASBA that it utilize the timeline established in undertaking its research.**

**Yes: Ms. Salazar, Mr. Petito, Mr. Waldman, Mr. Savoy, Mr. Driftmier, and Mr. Franzella.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed**

**It was moved by Mr. Petito and seconded by Mr. Savoy that the MSG recommend that the CBA direct staff to communicate to NASBA that CPAverify be considered as a factor when determining if disciplinary history is available on the internet.**

**Yes: Ms. Salazar, Mr. Petito, Mr. Waldman, Mr. Savoy, Mr. Driftmier, and Mr. Franzella.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed**

V. The MSG Decision Matrix and Stakeholder Objectives.

Mr. Stanley reported NASBA will hold its 108th Annual Meeting October 25-28 in Dana Point, CA.

Mr. Stanley also reported that there are still five states not yet participating in the Accountancy Licensee Database (ALD) and CPAverify, which are Delaware, Hawaii, Michigan, Utah, and Wisconsin. It is anticipated that Michigan will be participating within a few months.

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

Mr. Stanley reported that staff will bring forward an item to discuss any update on the progress made regarding the comparison of other states' enforcement programs to the NASBA Enforcement Guidelines.

The MSG added an item to discuss what constitutes disciplinary history.

VII. Public Comments.

There were no public comments.

There being no further business, the meeting was adjourned at 10:08 p.m.



**DEPARTMENT OF CONSUMER AFFAIRS**  
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**SPC Item I.**

September 17, 2015

**CBA Item IX.D.**

September 17-18, 2015

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

**MINUTES OF THE**  
**January 22, 2015**  
**CHAIR/VICE-CHAIR TRAINING AND**  
**JOINT MEETING OF THE STRATEGIC PLANNING COMMITTEE**  
**AND PEER REVIEW OVERSIGHT COMMITTEE**

**DRAFT**

Hilton Los Angeles Airport  
 5711 West Century Boulevard  
 Los Angeles, CA 90045  
 Telephone: (310) 410-4000  
 Fax: (310) 410-6250

**CALL TO ORDER**

Jose Campos, CBA President, called the meeting of the Chair/Vice-Chair Training and Joint Meeting of the Strategic Planning Committee (SPC) and the Peer Review Oversight Committee to order at 9:00 a.m. on Thursday, January 22, 2015 at the Hilton Los Angeles Airport. Mr. Campos requested that the roll be called.

SPC Members

Alicia Berhow, Chair  
 Katrina Salazar  
 Mark Silverman

PROC Members

Robert Lee, Chair  
 Sherry McCoy, Vice-Chair  
 Jeffrey De Lyser

CBA Members

Jose Campos, President  
 Kay Ko

Staff and Legal Counsel

Patti Bowers, Executive Officer  
 Deanne Pearce, Assistant Executive Officer

Dominic Franzella, Chief, Enforcement Division  
Gina Sanchez, Chief, Licensing Division  
Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)

Committee Chairs and Members

Joanna “Jenny” Bolsky, Vice-Chair, Qualifications Committee (QC)  
Joseph Rosenbaum, Vice-Chair, Enforcement Advisory Committee  
Robert Ruehl, Chair, QC  
Harold Schultz, Vice-Chair, Mobility Stakeholder Group

- I. Welcome and Introduction.
- II. Overview of Role and Expectations for Chair and Vice-Chairs of a CBA Committee.

Mr. Campos provided an overview of the role and expectations of the Chairs and Vice-Chairs. Mr. Campos stated that the Chairs are responsible for ensuring that members attend the meetings and are actively participating. Mr. Campos also provided an overview of the committee recruitment process. He stated that CBA staff have received letters from licensees that were interested in serving on a CBA committee and asked that the Chairs review the applicants’ documents, interview any potential applicants, and provide recommendations to CBA Vice-President Salazar.

- III. Educational Presentation and Discussion on How to Conduct a Meeting in Accordance with the Bagley-Keene Open Meeting Act.
  - A. Importance of Roll Call and Need to Establish a Quorum.
  - B. Facilitating Discussion on Agenda Items and Avoiding Discussion on Items not on the Agenda.
  - C. Requirements for Conducting Closed Session Meetings.
  - D. When to Call for the Vote, How to Address a Tie Vote, and Requirement for Reporting Action Taken and the Vote or Abstention of Each Member.
  - E. Requirement to Include Public Comment on Agenda.
  - F. How to Deal with Disruptive Persons at a Meeting.

Ms. Schieldge provided an overview of agenda item III.A. – III.F., including the changes to the Bagley-Keene Open Meeting Act that were effective January 1, 2015. The changes include the following:

- The requirement that boards record the vote or abstention of each member present for that action item
- An agency is authorized to provide notice of board meetings by regular mail, email, or both, and the agency must send the notice to the person using the method of the requester's choice.

Ms. Schieldge stated that the Department of Consumer Affairs Legal Office has provided a memorandum regarding board meeting protocols, which provides the duties for board meetings and suggested scripts that can be used by chairs when addressing disruptive persons, limiting public comment, and staying on topic.

Members requested that staff have the scripts available at each CBA and committee meeting.

#### IV. How to Handle Contact from Consumers or Licensees Outside of the Meeting.

Ms. Schieldge provided an overview of this agenda item.

#### V. CBA Staff Roles and Responsibilities Which Support CBA and Committee Members and Meetings.

Ms. Bowers provided an overview of the CBA staff roles and responsibilities. Members were provided with a contact list of CBA staff.

#### VI. Public Comments.

No public comments were received.

There being no further business, the meeting adjourned at 10:27 a.m.



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**SPC Item II.**                      **CBA Item IX.E.**  
 September 17, 2015      September 17-18, 2015

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

**MINUTES OF THE**  
**MARCH 19, 2015**  
**STRATEGIC PLANNING COMMITTEE MEETING**

**DRAFT**

Wyndham Irvine-Orange County Airport  
 17941 Von Karman Avenue  
 Irvine, CA 92614  
 Telephone: (949) 863-1999

**CALL TO ORDER**

Alicia Berhow, Chair, called the meeting of the Strategic Planning Committee (SPC) to order at 11:36 a.m. on Thursday, March 19, 2015 at the Wyndham Irvine-Orange County Airport. Ms. Berhow requested that the roll be called.

SPC Members

Alicia Berhow, Chair	11:36 a.m. – 11:41 a.m.
Leslie LaManna, CPA	11:36 a.m. – 11:41 a.m.
Katrina Salazar, CPA	11:36 a.m. – 11:41 a.m.
Michael Savoy, CPA	11:36 a.m. – 11:41 a.m.
Mark Silverman	11:36 a.m. – 11:41 a.m.

CBA Members Observing

Jose Campos, CPA, CBA President  
 Sarah (Sally) Anderson, CPA  
 Herschel Elkins, Esq.  
 Laurence (Larry) Kaplan  
 Kay Ko  
 Kathleen Wright, CPA  
 Xochitl León

Staff and Legal Counsel

Patti Bowers, Executive Officer  
 Deanne Pearce, Assistant Executive Officer

Rich Andres, Information Technology Staff  
Pat Billingsley, Regulations Analyst  
Paul Fisher, Enforcement Supervising ICPA  
Dominic Franzella, Chief, Enforcement Division  
Lauren Hersh, Information and Planning Officer  
Kathryn Kay, Legislation Analyst  
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

Sherry McCoy, Vice-Chair, Peer Review Oversight Committee

Other Participants

George Famalett, CPA, PricewaterhouseCoopers

I. Approve Minutes of the November 20, 2014 SPC Meeting

**It was moved by Ms. LaManna; seconded by Mr. Silverman and carried unanimously to approve the minutes of the November 20, 2014 SPC Meeting.**

**Yes: Ms. Berhow, Ms. LaManna, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None**

**The motion passed.**

II. Discussion Regarding the Process to Develop the 2016–2018 Strategic Plan

Ms. Hersh provided an overview of the methodologies used to develop previous strategic plans. Ms. Hersh stated that using the Department of Consumer Affairs' SOLID in developing the 2010–2012 Strategic Plan and the 2013–2015 Strategic Plan proved quite successful as it allowed participation from CBA members as well as a wide variety of CBA Management and staff. She stated that staff are recommending the CBA utilize DCA SOLID again for the 2016–2018 Strategic Plan.

**It was moved by Ms. LaManna; seconded by Ms. Salazar and carried unanimously to direct staff to engage DCA SOLID to facilitate the development of the 2016-2018 Strategic Plan and provide members with the**

**opportunity to participate in a Strength, Weakness, Opportunity and Threat analysis, which will be used during the discussions on the development.**

**Yes: Ms. Berhow, Ms. LaManna, Ms. Salazar, Mr. Savoy, Mr. Silverman.**

**No: None.**

**Abstain: None**

**The motion passed.**

III. Public Comments.

No public comments were received.

IV. Agenda Items for Next Meeting.

There being no further business, the meeting adjourned at 11:41 a.m.

**DEPARTMENT OF CONSUMER AFFAIRS**

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**CPC Item I.**

September 17, 2015

**CBA Item IX.F.**

September 17-18, 2015

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

**MINUTES OF THE  
 May 28, 2015  
 COMMITTEE ON PROFESSIONAL CONDUCT (CPC) MEETING**

**DRAFT**

Hilton Los Angeles Airport  
 5711 West Century Boulevard  
 Los Angeles, CA 90045  
 Telephone: (310) 410-4000

The regularly scheduled meeting of the CPC was called to order at approximately 11:20 a.m. on May 28, 2015, by CPC Chair, Leslie LaManna.

CPC Members

Leslie LaManna, CPA, Chair	11:20 a.m. – 11:39 a.m.
Sarah (Sally) Anderson, CPA	11:20 a.m. – 11:39 a.m.
Laurence (Larry) Kaplan	11:20 a.m. – 11:39 a.m.
Kay Ko	11:20 a.m. – 11:39 a.m.
Louise Kirkbride	Absent
Michael Savoy, CPA	11:20 a.m. – 11:39 a.m.
Kathleen Wright, CPA	11:20 a.m. – 11:39 a.m.

CBA Members Observing

Jose Campos, CPA, President  
 Katrina Salazar, CPA, Vice-President  
 Alicia Berhow, Secretary/Treasurer  
 Herschel Elkins, Esq.  
 Xochitl León  
 Jian Ou-Yang, CPA  
 Mark Silverman, Esq.

CBA 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, Legislative Analyst  
Dorothy Osgood, Supervising Investigative CPA  
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, CPC Meeting.

**It was moved by Mr. Kaplan and seconded by Ms. Anderson to adopt the minutes of the March 19, 2015, CPC meeting.**

**Yes: Ms. LaManna, Ms. Anderson, Mr. Kaplan, Ms. Ko, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**The motion passed.**

- II. Discussion Regarding Possible Changes to California Code of Regulations (CCR) Section 9.1 – Foreign Credentials Evaluation Services Approval Criteria.

Mr. Stanley provided an overview of this item. He emphasized that the proposal is intended to provide an opportunity for policy discussion prior to initiating the rulemaking process to amend CBA Regulations section 9.1. He added that staff has provided several concepts for CBA consideration that will improve oversight of approved foreign credentials evaluation services that review, evaluate, and provide

United States (U.S.) equivalency for education completed outside of the U.S. by applicants for the Uniform CPA Examination and CPA licensure.

**It was moved by Mr. Savoy and seconded by Mr. Kaplan to recommend that the CBA approve the proposed concepts and direct staff to prepare a regulatory proposal for consideration at the next meeting.**

**Yes: Ms. LaManna, Ms. Anderson, Mr. Kaplan, Ms. Ko, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**The motion passed.**

III. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations (CCR) Section 42 – Peer Review Exclusions.

Mr. Franzella provided an overview of this item. He highlighted that the American Institute of Certified Public Accountants (AICPA) recently issued the Statement on Standards for Accounting and Review Services (SSARS) 21 that adds a new type of public accounting service known as a “preparation engagement.” He added that the CBA may wish to consider modifying CBA Regulations section 42 to clarify how the peer review requirement will apply to this service.

Ms. LaManna highlighted that the language contained in 42(a) of the proposal that states, “compilations where no report is issued” could be removed since a report is now required for all compilations.

Mr. Franzella responded that revisions to the proposed language could be brought back to the CBA as part of the rulemaking package.

Ms. Schiedge noted that the reference to SSARS in the proposed language may be problematic in that it may be viewed by the Office of Administrative Law (OAL) as incorporating reference to another document, which could potentially be rejected by OAL without more specificity.

Ms. Bowers reported that staff will work with legal counsel to draft regulatory language and will also reach out to the OAL to obtain clarification regarding the incorporation by reference issue.

**It was moved by Mr. Savoy and seconded by Ms. Anderson to recommend 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. LaManna, Ms. Anderson, Mr. Kaplan, Ms. Ko, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**The motion passed.**

IV. Public Comments for Items Not on the Agenda.

None.

V. Agenda Items for Next Meeting.

None.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at approximately 11:39 a.m. on May 28, 2015.



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**CBA Item IX.G.**  
 September 17-18, 2015

**DRAFT**

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

**MINUTES OF THE**  
**MAY 1, 2015**  
**PEER REVIEW OVERSIGHT COMMITTEE (PROC) MEETING**

Hilton Los Angeles Airport  
 5711 West Century Boulevard  
 Los Angeles, California 90045  
 Telephone: (310) 410-4000

**I. Roll Call and Call to Order.**

Robert Lee, CPA, Chair, called the meeting of the PROC to order at 9:00 a.m. on Friday, May 1, 2015. The meeting adjourned at 9:40 a.m.

Members

Robert Lee, CPA, Chair	9:00 a.m. – 9:40 a.m.
Sherry McCoy, CPA, Vice-Chair	9:00 a.m. – 9:40 a.m.
Katherine Allanson, CPA	9:00 a.m. – 9:40 a.m.
Nancy Corrigan, CPA	9:00 a.m. – 9:40 a.m.
Jeffrey De Lyser, CPA	9:00 a.m. – 9:40 a.m.
Kevin Harper, CPA	9:00 a.m. – 9:40 a.m.

CBA Staff

Dominic Franzella, Chief, Enforcement Division  
 Chanda Gonzales, Enforcement Analyst  
 Gregory Francis, Investigative CPA

Other Participants

Linda McCrone, CPA, California Society of Certified Public Accountants (CalCPA)

Mr. Lee introduced and welcomed to the committee the newly appointed PROC member, Mr. Kevin Harper.

II. Report of the Committee Chair.

A. Approval of the January 30, 2015 PROC Meeting Minutes.

**It was moved by Mr. De Lyser and seconded by Ms. Allanson to approve the minutes of the PROC meeting.**

**Yes: Mr. Lee, Ms. Allanson, Ms. Corrigan, Mr. De Lyser.**

**No: None.**

**Abstain: Ms. McCoy, Mr. Harper.**

**The motion passed.**

B. Approval of the January 22, 2015 Joint Strategic Planning Committee and Peer Review Oversight Committee Meeting Minutes.

Mr. Lee stated that he, Mr. De Lyser, and Ms. McCoy attended this meeting. He explained that because three PROC members were present and it was noticed as a PROC meeting, it was before the PROC to review and call for a vote.

**It was moved by Mr. De Lyser and seconded by Ms. McCoy to approve the minutes of the Joint Strategic Planning Committee and PROC meeting.**

**Yes: Mr. Lee, Mr. De Lyser, Ms. Corrigan.**

**No: None.**

**Abstain: Ms. Allanson, Ms. Corrigan, Mr. Harper.**

**The motion passed.**

C. Report on the March 19-20, 2015 CBA Meeting.

Ms. McCoy attended the CBA meeting and presented her report. She stated that a National Association of State Boards of Accountancy (NASBA) representative gave a helpful presentation about the Uniform CPA examination. She noted that the reappointment of Mr. De Lyser and the appointment of Mr. Harper to the PROC were approved at the meeting. Ms. McCoy then spoke about the positions the CBA was taking on several legislative bills. She added that these

are great meetings, that she always learns a lot, and that they are very informative.

D. Discussion of Emerging Issues and/or National Standards that may have an Impact on Peer Review in California.

Mr. Lee stated that this is a standing item and that he did not have anything to discuss. There were no further comments.

III. Report on PROC Oversight Activities Conducted since January 30, 2015.

A. Report on the April 22, 2015 California Society of Certified Public Accountants' (CalCPA) Report Acceptance Body (RAB) Meeting.

Ms. Allanson attended this meeting and presented her report. She said that this was a normal meeting with four reviewers, along with Ms. McCrone and herself. She noted that the RAB went through 60 reports, 15 per each reviewer, and that this was down from previous numbers. She noted that she did not remember any striking issues they had.

Ms. Allanson and Ms. McCrone discussed the RAB call. Ms. McCrone explained that there is a new Service Organization Control (SOC) Engagement and that two of the reviewers were personally involved with a SOC-related peer review. These reviewers were otherwise the experts on this matter, but because of their involvement, Ms. McCrone had to pull in a national expert. Ms. McCrone stated that the expert only commented on this one engagement and that is why she left the call afterwards. Ms. Allanson concluded that it was a good meeting.

Ms. Allanson confirmed that she submitted her completed forms to staff.

B. Assignment of Future PROC Oversight Activities.

Mr. Lee asked Ms. McCrone if she had updated meeting dates. Ms. McCrone responded that she did not, but that she will send any updates to the CBA. Mr. Franzella noted that Ms. McCrone can send these to Ms. Gonzales or Ms. Sheldon.

Mr. Lee asked if there were any upcoming RAB meetings. Ms. McCrone confirmed that there will be an upcoming peer review meeting which will include RABs. Members confirmed that Ms. Allanson was assigned to attend this meeting. Ms. Allanson asked if there was a way that members could see, in the materials, who is assigned to each meeting or activity. She also mentioned that she was going to attend the November RAB. Ms. Corrigan and Mr. Lee replied that they had not scheduled that far out.

Mr. Lee then asked Mr. Harper if he would be available on May 21-22, explaining it would be helpful for Mr. Harper to get introduced to the activities of the PROC sooner and with Ms. Allanson also present at the May meetings. Mr. Harper confirmed that he could attend the May meetings. Ms. McCrone confirmed that the meetings would be held at the Surf and Sand Resort in Laguna Beach and that she would send Mr. Harper a meeting notice. Mr. Franzella added that staff would also send Mr. Harper a meeting invite.

Mr. Lee pointed out that the May 5, 2015 American Institute of CPAs (AICPA) Peer Review Board (PRB) meeting, a call-in, had not been assigned to anyone yet. Mr. Franzella noted that staff had the meeting materials ready for anyone who wanted to participate. Ms. McCoy stated that she would be happy to attend. Mr. Lee concluded that he did not believe there was anything else to assign.

Ms. Corrigan added that she was scheduled to attend the Advanced Peer Reviewer Training on May 20, 2015 for oversight. Mr. De Lyser noted that he would be attending this training as well, but for continuing professional education.

Ms. McCrone pointed out that the NASBA PROC summit was scheduled to take place on July 10 in Nashville. Mr. Lee stated that the CBA was still waiting for approval to attend this out of state meeting.

Ms. Allanson stated that she would like to attend the May 13, 2015 NASBA conference call. Mr. Lee observed that this would be a good conference for Mr. Harper to attend as well. Ms. Corrigan described to Mr. Harper the typical meeting process. She also noted that this conference call and process were arranged due to the efforts of the California PROC; in that now states are allowed to call in and observe.

Mr. Lee stated that the next meeting to be scheduled will be the August 5, 2015 AICPA PRB, which will take place before the next PROC meeting. Mr. De Lyser confirmed that he would attend.

Ms. McCoy mentioned that June is the timeframe for the next NASBA event. Mr. Franzella stated that NASBA is holding its Western Regional meetings in June and its Annual meeting in October. He further explained that it is not being tracked because it is separate and apart from the functions of the PROC.

#### IV. Report on Status of PROC Roles and Responsibilities Activity Tracking.

Ms. Gonzales pointed out that two new rows were added to the tracking sheet, one for the NASBA Compliance Assurance Committee activities and one for the out-of-state administering entities activities. She then stated that, as this is a draft, to let staff know if members have any comments, edits, or suggestions. Mr. Franzella asked members if they were okay with adding names or initials behind the assigned meeting dates; members affirmed.

Ms. Gonzales next mentioned the activities calendar. Mr. Lee asked members if there were any comments; there were none.

#### V. Report of the Enforcement Chief.

Mr. Franzella stated that the item on Statements on Standards for Accounting and Review Services 21 was removed from the PROC agenda. Mr. Franzella noted that upon further exploration, discussion on this topic was policy related and needed CBA direction. He added that staff will be taking two papers over the next two meetings for this topic, one on peer review and one on continuing education.

#### VI. Closing Business.

##### A. Public Comments for Items Not on the Agenda.

Mr. Lee asked if there were any other public comments. Ms. McCrone noted that there is still the issue of non-cooperation. She stated that the AICPA is moving forward with a voluntary public file for peer review reports, where firms, if they want, can have a voluntary public file. Currently, this only applies to certain sections of the AICPA/SEC work; other specific sections, such as government, Employee Retirement Income Security Act (ERISA) auditing, and private company practice are already required. However, Ms. McCrone does not know when this will start.

Mr. Lee asked if there were any other items; there were none.

##### B. Agenda Items for Future PROC Meetings.

Members assigned Mr. De Lyser and Mr. Harper to the next administrative site visit, to be scheduled at a later point.

#### VII. Adjournment.

There being no further business, Mr. Lee adjourned the meeting at 9:40 a.m. on Friday, May 1, 2015.

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Robert Lee, CPA, Chair

Chanda Gonzales, Enforcement Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-4343.

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**CBA Item IX.H.**  
September 17-18, 2015

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

**MINUTES OF THE**  
**April 22, 2015**  
**QUALIFICATIONS COMMITTEE (QC) MEETING**

California Board of Accountancy Office  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815  
Telephone: (916) 263-3680

The regularly scheduled meeting of the QC was called to order at 12:41 p.m. on April 22, 2015, by QC Chair, Robert Ruehl.

QC Members

Robert Ruehl, CPA, Chair  
Jenny Bolsky, CPA, Vice-Chair  
Eric Borigini, CPA  
Saboochi Currim, CPA  
David Evans, CPA  
Tracy Garone, CPA – Absent  
Kristian George, CPA  
Chuck Hester, CPA  
Casandra Moore Hudnall, CPA  
Jose Palma, CPA  
David Papotta, CPA  
Erin Sacco Pineda, CPA  
Nasi Raissian, CPA  
Jeremy Smith, CPA  
Kimberly Sugiyama, CPA

CBA Members

Kathleen Wright, CPA, CBA Member, QC Liason (Northern California)

CBA Staff

Patti Bowers, Executive Officer (EO)  
Deanne Pearce, Assistant EO

Veronica Daniel, Licensing Manager  
Ben Simcox, Licensing Coordinator  
Janet Zimmer, Licensing Coordinator

I. Chairperson's Report.

Mr. Ruehl welcomed the QC Members and CBA member Kathleen Wright to the meeting. Mr. Ruehl stated that Ms. Wright was appointed to serve as the Northern California CBA member liaison to the QC. Mr. Ruehl took the roll-call and asked that each member introduce themselves including the four new QC members, Mr. Borigini, Ms. Currim, Ms. George and Mr. Palma.

**At this time, QC members heard agenda item III.**

A. Discussion and Review of the QC Best Practices Guide for Conducting Personal Appearances/Section 69 Reviews.

Mr. Ruehl stated that given the length of time since the QC Best Practices Guide for Conducting Personal Appearances/Section 69 Reviews (Best Practices) were approved and with new members being appointed to the QC, it is appropriate to review the Best Practices and determine whether any updates are needed.

Mr. Ruehl provided the QC with a brief overview of the Best Practices document along with the attachments (Best Practices for Conducting Personal Appearances/Section 69 Reviews and the Certificate of Attest Experience (Public Accounting)) that are used to conduct the Personal Appearances and Section 69 reviews. It was determined that this item be continued at the next QC Meeting to discuss any recommendations for revisions to the Best Practices.

B. Approval of the January 21, 2015 QC Meeting Minutes.

**It was moved by Mr. Hester and seconded by Ms. Bolsky to approve the minutes of the January 21, 2015 QC Meeting.**

**Yes: Mr. Ruehl, Ms. Bolsky, Mr. Borigini, Mr. Evans, Ms. George, Mr. Hester, Ms. Moore-Hudnall, Mr. Palma, Mr. Papotta, Ms. Raissian, Mr. Smith and Ms. Sugiyama**

**No: None**

**Abstain: Ms. Currim and Ms. Sacco Pineda**

**Absent: Ms. Garone**

**The motion passed.**

II. Report of the CBA Liaison.

A. Report on the January 22, 2015 & March 19-20, 2015, CBA Meetings.

Ms. Wright provided a report for this item.

Ms. Wright reported that prior to the start of the January CBA meeting, a training was held for committee chairs and vice-chairs. The training provided an opportunity to discuss the roles of the committee chair and vice-chairs and provide information on how to conduct meetings in accordance with the Bagley Keene Open Meeting Act.

Ms. Wright stated that the CBA reappointed Robert Ruehl and Jeremy Smith to the Qualifications Committee.

Ms. Wright also reported that an overview was provided of the revisions to the CBA Member Guidelines and Procedures Manual. The revisions included:

- The new process regarding voting on motions
- Inclusion of the Defensive Drivers Training Requirement
- Updated travel information

Ms. Wright reported that the CBA adopted proposed changes to Title 16, California Code of Regulations, Division 1, section 12 and 12.1, allowing applicants to use experience in academia as qualifying experience for certified public accountant licensure.

Ms. Wright reported that the CBA approved the survey for the study of California's attest experience requirement and asked staff to amend the Introduction to include a statement that clearly states the results will not be individually identifiable.

Ms. Wright also reported that the CBA also approved a timeline for conducting the study of California's attest experience requirement. The timeline will:

- Provide a minimum of four months to receive responses from participants of the survey
- Provide the CBA with almost all of 2016 to deliberate the attest experience requirement to determine what, if any, changes are needed
- Allow the CBA to perform follow-up procedures and
- Time to discuss the possibility of modifying the attest experience requirement with stakeholders

Ms. Wright 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.

Ms. Wright reported that the CBA approved the 2016 CBA meeting dates.

Ms. Wright reported that the CBA appointed Mr. Borigini, Ms. Currim, Ms. George and Mr. Palma to the Qualifications Committee.

Ms. Wright reported that in order to ensure that the CBA will have the financial resources it needs to carry out its mission of consumer protection, the CBA approved an increase in the biennial renewal and initial permit fee to \$200. A regulatory hearing will be conducted at the May CBA meeting and it is anticipated that the restoration of fee levels will be effective July 2016.

Ms. Wright provided an overview of the bills that the CBA took positions on:

- AB 85 – Oppose. AB 85 would specify that a two-member committee is a “state body” and subject to the full provisions of the Bagley-Keene Open Meeting Act.
- SB 8 – Watch. SB 8 seeks to update California’s tax system to include taxes on information and services, including accounting and tax preparation fees.
- SB 467– Support. SB 467 will extend the CBA’s Sunset date to January 1, 2020 and will be amended to also include the CBA’s legislative proposal for permanent practice restrictions, which will provide it with the authority to include permanent practice restrictions as a part of a final disciplinary order.
- SB 799 – Support. SB 799 is the annual omnibus bill. The Senate Business, Professions and Economic Development Committee accepted two of the CBA’s legislative proposals including, a clarification on restoration requirements of a license placed in retired status and a second proposal regarding reciprocity, which recasts and strengthens the requirement for an out-of-state licensee applicant by changing the requirement from holds a “valid and unrevoked” license to hold a “current, active, and unrestricted” license.

Ms. Wright reported that the next CBA meeting will be held on May 28-29, 2015 in Los Angeles.

### III. Report on the Activities of the Initial Licensing Unit.

Ms. Daniel provided an overview of this item. Ms. Daniel noted that the current processing time for individual CPA applicants is 22 days. Ms. Daniel noted that Janet Zimmer was recently appointed as Initial Licensing Unit Coordinator. Ms. Daniel stated that the Initial Licensing Unit (ILU) staff is currently working towards implementation of the next phase of the Attest Study. Currently the ILU staff is working on the outreach items in preparation for the testing phase of the Attest Study which is set to launch to target audiences this Spring.

Ms. Daniel concluded her report by asking for any questions or comments.

Mr. Reuhl noted that there is still a gap between the large number of applicants seeking licensure with general experience versus attest experience. Mr. Ruehl also noted that applicants who passed the CPA exam prior to January 1, 2014, will no longer be able to apply for CPA licensure through Pathway 1 and Pathway 2 on December 31, 2015. As of January 1, 2016, all pending and future applicants will be subject to the current educational requirements. Ms. Daniel noted that the deadline for the pathways could possibly mean an up-tick of applications received in the fourth quarter of 2015.

IV. Public Comment for Items Not on the Agenda.

None.

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

C15-009 – The applicant appeared due to government experience and presented work papers. She has 18.75 months of experience, with a 12-month experience requirement.

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

Recommendation: Approve.

C15-010 – The applicant and his employer appeared due to a family relationship and presented work papers from his public accounting experience. He has 46.75 months of experience, with a 24-month experience requirement.

The employer's understanding of the Certificate of Attest Experience (CAE) was adequate. The work performed by the applicant was reviewed and no

deficiencies were noted. The work was adequate to support licensure. There was no conflict of interest.

Recommendation: Approve.

C15-011 – The applicant and her employer appeared and presented work papers from her public accounting experience. She has 18.75 months of experience, with a 12-month experience requirement. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

Note: The employer's understanding of the CAE was inadequate. The employer inaccurately prepared the CAE, was aware of the error, but neglected to correct the error.

The employer has been placed on reappearance.

**The following Section 69 reviews took place on April 29, 2015, and are made a part of these minutes.**

C15-012 – The applicant and his employer appeared and presented work papers from his public accounting experience. He has 72.25 months of experience, with a 12-month experience requirement. He is currently licensed with general experience.

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

Recommendation: Approve.

C15-013 – The applicant appeared and presented work papers from her public accounting experience. She has 49.25 months of experience, with a 12-month experience requirement. She is currently licensed with general experience.

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

Recommendation: Approve.

C15-014 – The applicant and his employer appeared and presented work papers from his public accounting experience. He has 45.75 months of

experience, with a 12-month experience requirement. He is currently licensed in another state.

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

Recommendation: Approve.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at approximately 3:30 p.m. on April 22, 2015. The next meeting of the QC will be held on July 29, 2015 in Southern California.

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Robert Ruehl, CPA, Chair

Prepared by: Ben Simcox, ILU Coordinator



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**CBA Item X.B.3.**  
September 17-18, 2015

## **Proposed Responses to the National Association of State Boards of Accountancy's Focus Questions**

**Presented by:** Corey Riordan, Board Relations Analyst

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### **Purpose of the Item**

The purpose of this agenda item is to present the California Board of Accountancy's (CBA) responses to the National Association of State Boards of Accountancy (NASBA) Regional Director's Focus Questions.

### **Action(s) Needed**

The CBA will be requested to either approve or direct staff to make changes to the proposed responses.

### **Background**

Attached for your information are staff prepared responses to NASBA Regional Directors' Focus Questions. These responses have been prepared for Edwin G. Jolicoeur, NASBA's Pacific Regional Director and are due on October 5, 2015.

### **Comments**

Staff has been informed that the Focus Questions are used to help NASBA regional directors stay apprised of each state's policies and procedures and to see where improvements or adjustments might be made. The eight regional directors review the states' answers and then present their findings to NASBA.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

The draft responses to the NASBA Focus Questions were prepared by CBA staff from the Enforcement, Licensing, and Administration Divisions. Staff recommend that the CBA either approve or direct staff to make changes to the proposed responses.

### **Attachment**

NASBA Focus Questions

## REGIONAL DIRECTORS' FOCUS QUESTIONS

*The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next Board meeting to allow for sufficient time for discussion. **Please send your Board's responses to your Regional Director by October 5, 2015.** Use additional sheets for your responses if needed.*

**JURISDICTION:** California Board of Accountancy

**DATE:** August 12, 2015

**NAME OF PERSON SUBMITTING FORM:** Patti Bowers, Executive Officer

1. Boards have received questionnaires from the AICPA Professional Ethics Executive Committee related to how closely the state's Code of Conduct relates to the AICPA's. This is part of a joint NASBA/AICPA effort to arrive at a uniform Code of Conduct throughout the U.S. by focusing on differences and reaching interpretations acceptable to all. Does your Code presently differ from the AICPA's in any significant way and, if so, in what way?

The questionnaire received by the California Board of Accountancy (CBA) focuses on records requests. In most instances, California's statutes and regulations align closely with those included in the AICPA Code of Professional Conduct. The primary deviations noted in the CBA's responses relates to retention of clients' records for purposes of obtaining payment of a fee. California's statutes and regulations are designed to promote consumer protection.

2. Has your Board discussed the U.S. Supreme Court's February 25, 2015 decision in *Federal Trade Commission v. North Carolina State Board of Dental Examiners*?

The California Board of Accountancy has been briefed on the U.S. Supreme Court's February 25, 2015 decision in *Federal Trade Commission v. North Carolina State Board of Dental Examiners*; however, no formal discussion has been held.

3. NASBA's Regional Directors have expressed concern over the length of time it takes to remove substandard firms from practice. How quickly and under what circumstances does your Board become aware of a firm in your state having failed or passed with deficiencies its peer review? Does your Board monitor remediation measures prescribed and how effective they have been in improving the firm's practice?

The CBA receives information on an accounting firm's peer review rating via the following ways:

- An accounting firm that receives a peer review rating of *fail* is required to submit a copy of the peer review report, including any documents prescribing remedial or

corrective actions imposed within 45 days of the peer review report being accepted.

- An accounting firm receiving a peer review rating of *pass with deficiency* is required to submit a copy of the peer review report, including any documents prescribing remedial or corrective actions imposed upon request from the CBA (which would need to be done within 30 days of the request).
- A CBA-recognized peer review program provider is required to submit a copy of a peer review report with a rating of *fail* to the CBA within 60 days of the report be accepted.
- At the time of license renewal an accounting firm is required to complete a peer review reporting form, on which, the firm must document the peer review rating received for its most recent peer review.

For all accounting firms receiving a peer review rating of *fail*, the CBA reviews the peer review report, including any accompanying documentation to determine if further investigation is warranted. In instances where no additional investigation is required, the CBA will monitor the remedial/corrective actions to ensure they are completed. In instances where further investigation is warranted, the CBA will conduct a thorough and in-depth investigation to determine if possible disciplinary action is necessary to ensure consumer protection.

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

The CBA has released its survey on the 500-hour attest experience requirement. The results of the survey will aid the CBA in its discussion on whether to maintain, modify, or eliminate the requirement. The CBA will be reaching out to other State Boards via a survey for their input.

The CBA has selected National Association of State Boards of Accountancy (NASBA) to conduct the comparison of state boards of accountancy's enforcement practices to the NASBA's Guiding Principles of Enforcement (NASBA Enforcement Guidelines). This comparison will aid the CBA in determining what jurisdictions can remain in the present no notice practice privilege program. The CBA will begin making these determinations on and after January 2016.

5. Can NASBA be of any assistance to your Board at this time?

The CBA would appreciate any encouragement to other State Boards to complete California's attest study survey.

6. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Chair
- Input only from Executive Director
- Input only from Board Chair and Executive Director
- Input from all Board Members and Executive Director
- Input from some Board Members and Executive Director
- Input from all Board Members
- Input from some Board Members
- Other (please explain):



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**CBA Item XI.C.**  
September 17-18, 2015

## Press Release Focus

**Presented by:** Matthew Stanley, Information and Planning Officer

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### **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 following press release has been issued since the July 2015 CBA meeting:

“CBA Launches the Study of California’s Attest Requirement” (**Attachment 1**)

Additionally, various Enforcement Action news releases (**Attachment 2**) were issued in late August.

### **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 Launches the Study of California’s Attest Requirement
2. Enforcement Action News Releases



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## NEWS RELEASE

**Attachment 1**

### **CBA LAUNCHES THE STUDY OF CALIFORNIA'S ATTEST REQUIREMENT**

Sacramento - The California Board of Accountancy (CBA) has officially launched the study of California's 500-hour attest experience requirement for certified public accountant (CPA) licensure.

The attest study will involve surveying a wide range of groups in California, including consumers, applicants, new and experienced licensees, hiring managers, licensees who supervise and sign-off on attest experience, as well as accounting department faculty at various colleges and universities. Results of a national survey will also be included as part of the CBA's final report on the attest experience requirement.

Results of the study will assist the CBA in its future discussions on whether consumers are best served by maintaining, modifying, or eliminating the present attest experience requirement.

Stakeholders may participate in the study by accessing the link on the CBA website homepage at [www.cba.ca.gov](http://www.cba.ca.gov). The study will remain open through October 31, 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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Sent to [business@latimes.com](mailto:business@latimes.com) and [Brian.Thevenot@latimes.com](mailto:Brian.Thevenot@latimes.com)  
(The Los Angeles Times) on August 31, 2015

**Jeffery Deshon Applewhite, Inglewood, CA (CPA 41024)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#A\\_2101](http://www.dca.ca.gov/cba/discipline/index.shtml#A_2101)

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Sent to [Diana.mccabe@utsandiego.com](mailto:Diana.mccabe@utsandiego.com) (San Diego Union Tribune) on  
August 12, 2015

**Bradlee Yeats Baldwin, San Marcos, CA (CPA 127309)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#B\\_2118](http://www.dca.ca.gov/cba/discipline/index.shtml#B_2118)

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Sent to [citydesk@inlandnewspapers.com](mailto:citydesk@inlandnewspapers.com) (Inland Daily Bulletin) and  
[Frank.Pine@inlandnewspapers.com](mailto:Frank.Pine@inlandnewspapers.com) (The San Bernardino Sun) on August  
31, 2015

**Colleen E. Kelly Bishop, Montclair, CA (CPA 45685)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#B\\_1979](http://www.dca.ca.gov/cba/discipline/index.shtml#B_1979)

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Sent to [business@mercurynews.com](mailto:business@mercurynews.com) (The Oakland Tribune) on August 31,  
2015

**Scott McNeil Crawford, Oakland, CA (CPA 34934)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#C\\_2097](http://www.dca.ca.gov/cba/discipline/index.shtml#C_2097)

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Sent to [business@latimes.com](mailto:business@latimes.com) and [Brian.Thevenot@latimes.com](mailto:Brian.Thevenot@latimes.com) (The Los Angeles Times) on August 31, 2015

**Ernst & Young LLP, Los Angeles, CA (PAR 5413)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#E\\_2108](http://www.dca.ca.gov/cba/discipline/index.shtml#E_2108)

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Sent to [Bea.Karnes@patch.com](mailto:Bea.Karnes@patch.com) (The Alameda Patch) and [ekos@alamedasun.com](mailto:ekos@alamedasun.com) (The Alameda Sun) and [business@mercurynews.com](mailto:business@mercurynews.com) (The Oakland Tribune) on August 31, 2015

**Sam Siu-Wing Kan, Alameda, CA (CPA 88611) and Sam Kan & Company, Alameda, CA (FNP 1677)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding these enforcement actions.

[http://www.dca.ca.gov/cba/discipline/index.shtml#K\\_2015](http://www.dca.ca.gov/cba/discipline/index.shtml#K_2015)

[http://www.dca.ca.gov/cba/discipline/index.shtml#S\\_2016](http://www.dca.ca.gov/cba/discipline/index.shtml#S_2016)

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Sent to [business@latimes.com](mailto:business@latimes.com) and [Brian.Thevenot@latimes.com](mailto:Brian.Thevenot@latimes.com) (The Los Angeles Times) on August 31, 2015

**Edward Jay Leevan, Los Angeles, CA (CPA 54863) and Brylaw Accounting Firm (FNP 1622)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding these enforcement actions.

[http://www.dca.ca.gov/cba/discipline/index.shtml#L\\_2000](http://www.dca.ca.gov/cba/discipline/index.shtml#L_2000)

[http://www.dca.ca.gov/cba/discipline/index.shtml#B\\_2001](http://www.dca.ca.gov/cba/discipline/index.shtml#B_2001)

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Sent to [resposito@mtdemocrat.net](mailto:resposito@mtdemocrat.net) (The Mountain Democrat) on August 31, 2015

**Kent Paul Maloney, Diamond Springs, CA (CPA 19229)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#M\\_2096](http://www.dca.ca.gov/cba/discipline/index.shtml#M_2096)

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Sent to [rcurley@ocregister.com](mailto:rcurley@ocregister.com) (The Orange County Register) on August 31, 2015

**Gordon Alan McKinney, La Habra, CA (CPA 28037)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#M\\_2031](http://www.dca.ca.gov/cba/discipline/index.shtml#M_2031)

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Sent to [rcurley@ocregister.com](mailto:rcurley@ocregister.com) (The Orange County Register) on August 31, 2015

**Rick L. McPeak, Fullerton, CA (CPA 102506)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

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Sent to [Diana.mccabe@utsandiego.com](mailto:Diana.mccabe@utsandiego.com) (San Diego Union Tribune) on August 31, 2015

**Christine N. Meyer, San Diego, CA (CPA 80336)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

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Sent to [rcurley@ocregister.com](mailto:rcurley@ocregister.com) (The Orange County Register) on August 12, 2015

**Huy Hy Nguy, Garden Grove, CA (CPA 127308)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#N\\_2117](http://www.dca.ca.gov/cba/discipline/index.shtml#N_2117)

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Sent to [mvalles@times-standard.com](mailto:mvalles@times-standard.com) (The Humboldt Beacon) and [kwear@times-standard.com](mailto:kwear@times-standard.com) (The Eureka Times Standard) on August 31, 2015

**Michael Charles Pattison, Burlington, CA (CPA 58174)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

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