

**CALIFORNIA BOARD OF ACCOUNTANCY**

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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE
MARCH 21, 2008
BOARD MEETING

Westin Pasadena
 191 North Los Robles Avenue
 Pasadena, CA 91101
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I. Call to Order.

President Donald Driftmier called the meeting to order at 9:00 a.m. on Friday, March 21, 2008, at the Pasadena Westin and the Board immediately convened into closed session to deliberate Agenda Items XII.A-F. The meeting reconvened into open session at 9:55 a.m. and adjourned at 11:55 a.m.

Board MembersMarch 21, 2008

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| Donald Driftmier, President | 9:00 a.m. to 11:55 a.m. |
| Robert Petersen, Vice President | 9:00 a.m. to 11:55 a.m. |
| Rudy Bermúdez, Secretary-Treasurer | 9:15 a.m. to 11:55 a.m. |
| Sally Anderson | 9:00 a.m. to 11:55 a.m. |
| Richard Charney | 9:00 a.m. to 11:55 a.m. |
| Angela Chi | 9:00 a.m. to 11:55 a.m. |
| Lorraine Hariton | 9:00 a.m. to 11:55 a.m. |
| Leslie LaManna | 9:00 a.m. to 11:55 a.m. |
| Bill MacAloney | 9:00 a.m. to 11:55 a.m. |
| Marshal Oldman | 9:00 a.m. to 11:55 a.m. |
| Manuel Ramirez | 9:00 a.m. to 11:55 a.m. |
| David Swartz | 9:00 a.m. to 11:55 a.m. |
| Lenora Taylor | 9:00 a.m. to 11:55 a.m. |
| Stuart Waldman | Absent |

Staff and Legal Counsel

Patti Bowers, Chief, Licensing Division
 Paula Bruning, Executive Office Technician
 Dominic Franzella, Peer Review Analyst

Scott Harris, Deputy Attorney General, Department of Justice
Kris McCutchen, Licensing Manager
Greg Newington, Chief, Enforcement Program
Dan Rich, Assistant Executive Officer
George Ritter, Legal Counsel, Department of Consumer Affairs
Carol Sigmann, Executive Officer
Liza Walker, Practice Privilege Coordinator

Committee Chairs and Members

Harish Khanna, Chair, Administrative Committee
Tracy Garone, Chair, Qualifications Committee

Other Participants

Ken Bishop, NASBA
Mike Duffey, Ernst & Young LLP
Kenneth Hansen, KPMG LLP
Ed Howard, Center for Public Interest Law
Carl Olson
Richard Robinson, E&Y, DT, PWC, KPMG
Gregory Santiago, Legislative Analyst, Department of Consumer Affairs
Hal Schultz, California Society of Certified Public Accountants
Phil Skinner, Center for Public Interest Law
Jeannie Tindel, California Society of Certified Public Accountants

II. Board Minutes.

The draft Board minutes of the February 25, 2008, Board meeting were adopted on the Consent Agenda (See Agenda Item XIII.C.)

III. Report of the President.

A. Proposed 2009 Board Meeting Dates.

It was moved by Mr. Petersen, seconded by Mr. Oldman, and unanimously carried to adopt the proposed 2009 Board meeting dates (see Attachment 1). Ms. Taylor and Ms. Hariton were temporarily absent.

Mr. Ramirez requested that the Board consider moving one of its Los Angeles meetings to Orange County since many of the Board members live or work near that area.

Ms. Sigmann responded that the Board is restricted to the \$84.00 State Government Rate in that area. Mr. Ramirez offered to assist in securing a facility in Irvine or the surrounding area.

Ms. Sigmann indicated that the Department of General Services sets the lodging rates. She indicated that she will take this matter to the Department of Consumer Affairs (DCA), and suggested that Board members bring up their concerns when at DCA meetings. She further indicated that due to budget problems in California, it is not likely that there will be any changes to the lodging rates.

Mr. Bermúdez stated that he believed that this matter and other matters discussed by the Board should be put in writing and memorialized.

B. Update on CE Forum.

Ms. Sigmann reported that to date, 4,212 sections had been completed out of 6,712 registrations. The deadline for completing the sections is April 23, 2008.

C. Proposed Resolution for Retired Board Member, Ms. Sally Flowers.

See Agenda Item III.D.

D. Proposed Resolution for Retired Board Member, Mr. Clifton Johnson.

It was moved by Mr. Bermúdez, seconded by Ms. Chi, and unanimously carried to approve the proposed resolutions for Ms. Sally Flowers (Agenda Item III.C.) and Mr. Clifton Johnson (Agenda Item III.D.). Ms. Taylor was temporarily absent.

IV. Report of the Vice-President.

A. Qualifications Committee (QC) Appointments.

Mr. Petersen gave an oral summary of his memorandum to the Board regarding recommendations for appointment to the Qualifications Committee **(see Attachment 2)**.

It was moved by Mr. MacAloney, seconded by Mr. Ramirez, and unanimously carried to approve the recommended appointments to the Qualifications Committee.

B. Nomination of Billy Atkinson for NASBA Vice Chair.

Mr. Petersen gave a summary of Mr. Atkinson's biography and of the letter he prepared for Mr. Driftmier's signature nominating Mr. Atkinson to NASBA's Vice Chair position **(see Attachment 3)**. He stated that he believed that Mr. Atkinson would be a compliment to the organization. He indicated that Ms. Anderson assisted in the preparation of letter supporting Mr. Atkinson's nomination.

It was moved by Ms. Anderson, seconded by Mr. Bermúdez, and unanimously carried to approve the letter supporting nomination of Mr. Billy M. Atkinson as 2008-2009 NASBA Vice Chair.

V. Report of the Secretary-Treasurer.

A. FY 2007/2008 Mid-Year Financial Report.

Mr. Bermúdez reported that the Board currently has in excess of \$22 million in its operating reserve (**see Attachment 4**). He stated that he had a conversation on March 20, 2008, with Ms. Carrie Lopez, Director of the DCA, regarding the Board's budget. They discussed the problems the Board is having recruiting for Investigative Certified Public Accountants (ICPA).

VI. Report of the Executive Officer.

A. Update on Board Staffing.

Ms. Sigmann stated that the Board has been addressing the ICPA issue for multiple years. She indicated that money is not the issue, the authority to hire is the issue. Ms. Sigmann indicated that Ms. Kitty Williamson of the DCA made a presentation on the Board's options at the February 25, 2008, Board meeting in Sacramento. Furthermore, Mr. Scott Reid, Chief Deputy Director of the DCA, has indicated that the Board has done a fine job trying to recruit for ICPAs and he has forwarded the matter to the Department of Personnel Administration (DPA). At this point, it appears that the ICPA classification must go back through the union bargaining process before any adjustments in salary can be given.

Ms. Sigmann indicated that based on the options provided by Ms. Williamson, the Board looked at the "Boomerang" system that has been posted by the State Personnel Board. The "Boomerang" data-base lists all California job classifications and catalogs individuals interested in post-retirement work in accordance with their last job classification. An agency manager can search for individuals potentially qualified for an opening by selecting a job classification, determining if anyone is registered under that classification, and if so, review a brief summary of that persons experience, qualifications, and job interests.

Mr. Newington and Mr. Knapp searched through the many classifications that had a likelihood of including individuals with the technical knowledge and the CPA license needed for CBA investigations. All classifications from Associate through Administrator III within the Accounting series, Auditor series, Inspector General series, Investigator series, Investigative CPA series, and Program Specialists series were examined. Most of these job classifications had no registrants. Where registrants were

listed, their experience and technical skills were not compatible with the Board's needs. Mr. Newington and Mr. Knapp did identify one person who retired as a Senior Management Auditor (audit manager) from the Department of Corrections. Though his experience was mostly in program review audits, staff contacted the party to determine his interest in our type of investigations, which returned a negative reply.

Ms. Sigmann stated that she believed that another letter from the Board should go to DCA indicating the Board's efforts and requesting that the DCA convey to Agency, the Governor, and the DPA that the Board has exhausted all alternatives.

Ms. Sigmann indicated that Mr. Newington also personally reviewed and searched the websites for CMAS and MSA contracts. He found that they are fine if you need office supplies, IT consulting, or janitorial services. However, neither of these lists include categories of service providers that relate to the types of functions the Board performs and the resources needed within Enforcement.

Staff are awaiting a reply from the DCA Contracts Unit regarding the Board's sole source contracting capabilities and if the Board will be allowed to contract with consultants to investigate multiple licensees.

Mr. Newington stated that he had a number of conversations with Ms. Laura Buchanan, Contracts Manager at the DCA. Ms. Buchanan is working with Mr. Newington on getting key questions answered, such as the timeframe for contract periods and the specific scope of the contracts, particularly in light of the fact that the Board has B&P Code Section 5025.1 that allows it to contract on a sole source basis.

Mr. Newington added that the Board had hired a new Associate Governmental Program Analyst (AGPA) to perform investigations of non-technical issues. Mr. Newington indicated that there are now 13 people working in the Enforcement Division, seven of which are CPAs. There are two vacant ICPA positions, one vacant Supervising ICPA position, and one vacant AGPA position.

Mr. Ramirez stated that he believed the number of positions in the Enforcement Division is low in comparison to the number of licensees in California and he proposed that the Board discuss the appropriate level of staffing for the Enforcement Division at a future meeting.

Mr. Newington stated that most of the current investigators have been part of the Board staff for 5 or 10 years. Several of the current investigators will be ready to retire in the near future. He indicated that it takes approximately two years for new investigators to become effective in these positions.

Mr. Bermúdez stated that he is looking for an Assembly Bill on the Senate side to “gut and amend” so proposed language that the Board agreed on at the February 25, 2008, Board meeting can be inserted. He had located a bill in a different committee in the Senate that needs to be moved to the Rules Committee for purpose of amendment, and then reset in the Business & Professions (B&P) Senate Committee. He stated that he is also trying to obtain another bill that is already in the appropriate committee. Mr. Bermúdez stated that he is attempting to get in contact with Mr. Bill Gage to discuss the impact of a potential ICPA bill. He indicated that he believed that the consumer union representatives, the profession and the society should write letters of support in advance to be included in the bill packet, along with letters from the Board with regards to its attempts to recruit ICPAs.

Ms. Sigmann reported that 10 positions had been filled between January 21, 2008, and March 21, 2008. She additionally reported that the Board still has 11 vacancies, 4 of which are in the Executive and Administration Divisions. She indicated that 14 of the 17 new positions acquired in the Governor’s Budget for fiscal year 2007/08 had been filled.

B. Report on Licensing and Exam.

Ms. Bowers reported that the Licensing Division Activity Report is a snapshot of the workload impacting the Licensing Division. She stated that the Examination Unit currently has a processing timeframe for first time examinees of approximately 40 days. The processing timeframe for repeat exam candidates is less than 10 days.

Ms. Bowers reported that there was recently another issue related to examination scores that impacted over 5,000 candidates who sat for the examination in late 2006 through 2007. The scoring inaccuracy did not impact the total score or pass/fail rating on the examination, but it impacted the diagnostic report received with the examination results. The diagnostic report indicates each candidate’s strengths and weaknesses. The report is also utilized for study purposes. Board staff recently issued over 5,000 new diagnostic reports to examination candidates. She stated that AICPA had corrected the coding issue that caused the inaccuracy.

Ms. Bowers reported that due to inadequate staffing levels, the Licensing Division had over 1,000 initial applications backlogged as of December 2007. The Licensing Division received approval through the budget process for additional positions, which have now been filled. Under the supervision and direction of Ms. Kris McCutchen, Licensing Manager, the staff have been fully trained and the initial licensing backlog has been completely eliminated.

Ms. Bowers reported that the processing timeframe had also been

reduced significantly. As of September 2007, the processing timeframe for initial applications was more than 200 days. The current processing timeframe is approximately 40 days. The unit had achieved this success through staff working overtime, redirection of staff assisting from other units, and a variety of other changes.

Ms. Hariton complimented Ms. Bowers and her staff on their achievements. She inquired if the staffing level is now at the right balance.

Ms. Bowers indicated that the Initial Licensing Unit is now adequately staffed, and she believed that they will maintain a zero backlog going forward. She indicated that they are trying to achieve a 30-day processing time as their next goal, which she believed was attainable with the current staffing levels and without overtime.

Mr. Driftmier also praised Ms. Bowers for the accomplishments of the Licensing Division.

Ms. Bowers reported that the new Client Services Unit that was launched on January 1, 2008, had made progress in improving the level of customer service provided to the licensee population and internal staff. Additionally, the development of a customer service survey to solicit feedback regarding the Board's exam, licensing, and license renewal processes had been developed and it is anticipated that it will be posted to the Board's Web site by the end of March.

VII. Report of the Enforcement Chief.

A. Report on Status of Enforcement Matters:

1. Activity and Status Reports.

Mr. Newington reported that as of March 6, 2008, the number of new complaints filed for the current fiscal year was 154, and the number of open licensed cases was at 287. He stated that for the current fiscal year, there had been 27 accusations filed. The number of formal disciplinary matters acted on by the Board was 27 with an additional 6 matters that were considered by the Board at this meeting.

Mr. Newington reported that there are currently 34 cases that have been assigned to the Attorney General's Office, 14 of which are undergoing the preparation for an Accusation and 20 are in the post-accusation phase. There are 63 cases that are undergoing probation monitoring.

2. Major Case Summary.

Mr. Newington reported that there is one open matter in the major case category.

3. Report on Citations and Fines.

Mr. Newington reported that as of March 7, 2008, 13 fines had been issued for a total of \$16,250. The receivable balance was \$28,100. Most of the receivable balance is tied to the renewal process, which would preclude an individual from license renewal until the fine has been satisfied.

4. Reportable Conditions Data.

Mr. Newington reported that as of March 6, 2008, 227 reportable events had been received; 197 of those reportable events are restatements, with the majority related to publicly traded entities.

VIII. Regulations.

A. Update on Regulations.

(See Attachment 5).

IX. Committee and Task Force Reports.

A. Administrative Committee (AC).

There was no report on this agenda item.

B. CPA Qualifications Committee (QC).

There was no report on this agenda item.

C. Committee on Professional Conduct (CPC).

1. Minutes of the January 17, 2008, CPC Meeting.

The minutes of the January 17, 2008, CPC meeting were adopted on the Consent Agenda (See Agenda Item XIII.C.)

2. Report on the March 20, 2008, CPC Meeting.

Mr. Ramirez reported that the CPC met the previous day to discuss and take action on the following agenda items.

3. Discussion of Administrative Suspension and Other Enforcement Options Related to Cross-Border Practice.

Mr. Ramirez reported that the CPC discussed issues related to California's reliance on other states' enforcement practices, and the possibility that felony convictions that would result in automatic cancellation of cross-border privileges may be overturned.

Mr. Ramirez reported that the CPC recommended that the Board adopt the language as presented in 5096, 5096.1, and 5096.4 **(see Attachment 6)** with the following changes:

- For 5096 (c)(2), delete the wording "and ethics examination requirements."
- For 5096.1 (f), have language redrafted to address convictions overturned on appeal and automatic reinstatement of cross-border privileges.
- In addition to the felonies found in Section 5096.1 (b)(2), draft language to allow the Board to adopt through regulations additional felonies that would result in termination of cross-border practice.
- For 5096.4 (d), amend language to allow hearings to be conducted within 90 days as opposed to 45 days.

It was moved by Mr. Ramirez, seconded by Mr. Oldman, and unanimously carried to adopt the CPC's recommendations.

4. Consideration of Revised Statutory Language Related to Cross-Border Practice.

Mr. Ramirez reported that the CPC members discussed information available from other states and NASBA. Mr. Ken Bishop of NASBA provided an update on CPA mobility and NASBA's Accountancy Licensee Database. The CPC heard recommendations from Ms. Sigmann and from Mr. Howard, Senior Counsel from the Center for Public Interest Law (CPIL).

Mr. Ramirez reported that the CPC recommended that the Board adopt proposed revisions to B&P Code Section 5096 related to cross-border practice and related code sections as prepared by staff **(see Attachment 7)** with the following addition:

- Incorporate language that will reflect the Board's intent to provide access to other state boards' Web sites for consumer protection purposes.

It was moved by Mr. Ramirez, seconded by Mr. Bermúdez, and unanimously carried to adopt the CPC’s recommendations.

5. Proposed Amendments to Section 87.7 Related to the Professional Ethics Continuing Education Requirement.

Mr. Ramirez reported that the CPC recommended that a Board task force be established under the jurisdiction of the President to study other state board’s ethics requirements; what would be appropriate for this Board with regards to its current ethics requirement, and to address the possibility of changing the renewal period from two to three years.

It was moved by Mr. Ramirez, seconded by Mr. Swartz, and unanimously carried to adopt the CPC’s recommendations.

Mr. Rich indicated that the staff would need direction from the Board on the composition of the task force.

Mr. Driftmier indicated that he will meet with Mr. Rich to provide such direction.

6. Consideration of Changing the Renewal Period From Two Years to Three Years.

Mr. Ramirez reported that the CPC recommended that Board staff complete a study on the changing of the renewal period from two to three years, including consideration of automated tracking of CE, the possibility of pre-selected audits for continuing education, penalties for non-compliance, and adjusting the renewal fees.

7. Proposed Addition of Section 50.1 to Title 16 of the California Code of Regulations Regarding Client Notification of Firm Owners’ Ability to Provide Attest Services.

Mr. Ramirez stated that the CPC recommended that the Board adopt the draft regulatory language (**see Attachment 8**) based on a single owner, as opposed to a majority of owners possessing an “A” license, as being sufficient for the requirement of client notification.

It was moved by Mr. Ramirez, seconded by Mr. Petersen, and unanimously carried to adopt the CPC’s recommendation.

Mr. Carl Olson provided comments related to the ethics requirement. He indicated that he supports education and reminding people about education in ethics and accounting related fields. He distributed to the Board copies of the cover and miscellaneous pages from the “Financial Accounting,” “Introduction to Management Accounting,” and

“Intermediate Accounting” text books (**see Attachment 9**).

D. Legislative Committee.

1. Report on the March 20, 2008, Legislative Committee Meeting.

Ms. Hariton stated that she is delighted to be chairing this committee, and that she believed that it is important for all Board members to be involved and play an active role in the number of key legislation items that are going forward. She noted that some members of the Board will be going to the Assembly B&P Committee hearing for AB 2473 on Tuesday, April 15, 2008.

Ms. Hariton stated that January 31, 2008, was the last day for each house to pass bills introduced in that house in the first year of the legislative session. If not passed by that date, the bills may no longer be acted upon and are considered “dead” or to have “failed.”

Additionally, there are several “spot” bills that have been introduced but are not included in this report.

Ms. Hariton added that the Legislative Committee met the previous day and discussed the following bills.

2. Update on Legislation.

a. AB 721 (Maze) – Public Records: Request from Legislature.

Ms. Hariton reported that AB 721 “failed” to meet the deadline and is considered “dead.”

b. AB 865 (Davis) – State Agencies: Live Customer Service Agents.

Ms. Hariton reported that this bill required that each state agency establish a procedure for telephone calls received on the main public line to be answered by a live customer service agent within 10 rings. The bill was amended to provide that if the call is answered by an automated system, then there shall be a prompt that allows the caller to speak to a live customer service agent.

Ms. Hariton reported that the Board currently has a “watch” position on this bill.

c. AB 1185 (Hayashi and Ma) – Accountants: Peer Review Program.

Ms. Hariton reported that AB 1185 is the Board’s peer review bill and that the Board currently has a “support” position on this bill.

- d. SB 414 (Corbett) – Limited Liability Partnerships: Public Accountancy and Law.

Ms. Hariton reported that this bill was signed into law by the Governor on July 17, 2007.

- e. SB 618 (Alquist) – State Agencies: Electronic Records.

Ms. Hariton reported that SB 618 “failed” to meet the deadline and is considered a “dead bill.”

- f. SB 654 (Denham) – Accountants: Licensing Examination.

Ms. Hariton reported that SB 654 “failed” to meet the deadline and is considered a “dead bill.”

- g. SB 1047 (Chapter 354 2007) (Committee on Business, Professions and Economic Development) – Professions and Vocations.

Ms. Hariton reported that this bill was signed into law by the Governor on October 8, 2007.

3. Positions on Legislation

- a. AB 1925 (Eng) – Franchise Tax Board: Business and Professional Licenses.

Ms. Hariton reported that this bill, as introduced, would require all boards within the Department of Consumer Affairs (DCA) to furnish the Franchise Tax Board (FTB) the name, social security number or federal identification number of every licensed California CPA and CPA firm. This bill would allow the FTB to suspend a licensed CPA or CPA firm for unpaid taxes, interest, and/or penalties for which a state tax lien has been recorded.

Ms. Hariton reported that AB 1925 is currently scheduled for hearing before the Assembly B&P Committee on April 1, 2008.

Ms. Hariton reported that the Legislative Committee had concerns with the Board’s disciplinary authority being taken over by another agency. However, there are also concerns in taking an opposition position to the legislation of another agency that focuses on enforcement of tax laws.

Ms. Hariton reported that the Legislative Committee recommended that the Board adopt a “watch” position on this bill.

Dr. Charney stated that he believed the Board should take an “oppose” position on this bill due to the possibility that taking away a person’s license could inhibit them from paying back the money owed.

Ms. Taylor indicated that the Legislative Committee agreed with Dr. Charney’s concerns. However, the committee did not want to come out strong against the bill due to perception about this Board’s role in tax enforcement, but wanted to see what other agencies would say about the bill.

Dr. Charney responded that an explanation could be provided as to the reasons for the opposition.

Ms. Sigmann stated that the Legislative Committee recommended this position, but would still be able to communicate the Board’s concerns and watch the bill. However, the concern of the committee is that this Board would be the only one standing out as opposing. Ms. Sigmann stated that this is not the only Board that is being targeted, but all licensees of California would be affected by this bill.

Ms. Hariton indicated that she would take the Board’s concerns to the Chair of the Assembly B&P Committee.

Mr. Driftmier stated that the Board receives referrals from tax agencies on enforcement issues and he believed that this legislation could affect the Board’s ability to take action independently.

Mr. Bermúdez stated that it is important that organizations be honest with legislators in advance. Mr. Bermúdez recommended that the Board take a “watch” position at this meeting, and then be prepared to notify Assembly Member Eng that the Board may take an “oppose unless amended” position, and then provide the reasons. The Board may want to take a “support” position later, but does not want to appear as if it is jumping from one area to another.

Mr. Swartz inquired if Mr. Bermúdez believed that other departments, such as the Medical Board, would oppose this bill.

Mr. Bermúdez stated that he believed that many boards will take a “watch” approach until the Department adopts a position. He stated that a letter should go to Assembly Member Eng with the Board’s concerns.

Mr. Driftmier agreed that a letter with his signature, along with the signatures of Ms. Hariton and Ms. Sigmann should go forward.

It was moved by Mr. Oldman, seconded by Dr. Charney, and unanimously carried to adopt a “watch” position on AB 1925, and authorize the Legislative Committee to take an “oppose unless amended” position if they do not receive satisfactory assurances that the bill will be amended to address the Board’s concerns.

Mr. Ramirez requested that Ms. Hariton speak with Assembly Member Eng immediately to forewarn him of the motion before the bill gets out of committee.

b. AB 2118 (Villines) – State Agencies: Administrative Regulations.

Ms. Hariton reported that this bill would prohibit a state agency from adopting a regulation that would require any person or entity to use a specific technology unless that technology has been operational and proven effective for more than two years. The bill also prohibits adoption of any regulation that would place an undue burden on California businesses on an annual basis and result in significant loss of jobs.

AB 2118 is currently pending in the Assembly B&P Committee. The original intent of this bill was focused on technology. Since there are now issues with the current language, it is likely that the bill will be redrafted.

Ms. Hariton reported that the Legislative Committee recommended that the Board adopt a “watch” position on this bill.

See Agenda Item IX.D.3.g. for the action on this item.

c. AB 2223 (Horton) – Department of Consumer Affairs.

Ms. Hariton reported that this bill, as introduced, would enact legislation to establish a periodic review of all regulations promulgated by the DCA and any entity within that department. She stated that the DCA legislative office had indicated that this is a “spot” bill that will be amended to be more specific in terms of what will be required.

Ms. Hariton reported that the Legislative Committee recommended that the Board adopt a “watch” position on this bill.

See Agenda Item IX.D.3.g. for the action on this item.

d. AB 2473 (Niello and Ma) – Accountancy: Licensure.

Ms. Hariton reported that AB 2473 is the Board's cross-border practice legislation.

Ms. Hariton reported that the Legislative Committee recommended that the Board adopt a "support" position on this bill.

See Agenda Item IX.D.3.g. for the action on this item.

e. SB 721 (Ashburn and Perata) – State Agencies: Succession Plans.

Ms. Hariton reported that this bill requires every state agency, by January 1, 2010, to establish and implement a plan for succession of key management and supervisory positions, and by January 1, 2012, report to the Legislature on the status of those plans. The bill defines "succession plan" to mean the process of identifying and preparing suitable employees, through mentoring, training, and continuing education, to replace key managerial or supervisory employees as their tenure expires, for reasons including retirement.

Ms. Hariton stated that the DCA legislative office indicated that this bill is in the Assembly Committee on Appropriations suspense file and will likely "die" there.

Ms. Hariton reported that the Legislative Committee recommended that the Board adopt a "watch" position on this bill.

See Agenda Item IX.D.3.g. for the action on this item.

f. SB 797 (Ridley-Thomas) – Professions and Vocations.

Ms. Hariton reported that this bill reaffirms a licensing Board's authority to discipline a licensee for a conviction of a crime substantially related to the qualifications, functions, or duties of the profession. It introduces a new limitation at B&P Code Section 490(d), however, that would essentially prohibit imposing discipline in relation to convictions that had been expunged pursuant to Penal Code Section 1203.4.

This bill would also require that licensed employers sign tax returns to exempt unlicensed employees involved in the return preparation from the requirement of tax preparer registration. The Legislative Committee had questions on the intent of this bill in regards to the tax return issues.

Ms. Hariton reported that the Legislative Committee recommended that the Board adopt a “watch” position on this bill and request Board staff to discuss the concerns of the bill with its author. This bill will be placed on the agenda of the next Legislative Committee meeting.

See Agenda Item IX.D.3.g. for the action on this item.

Ms. Hariton explained the two factors that are of concern to the Legislative Committee: The first is that after one year, a person’s conviction can be expunged and not be available to the Board for any disciplinary issues. The second issue is that the language indicates that a licensed employer within a CPA firm would actually have to sign tax returns in order to exempt unlicensed employees who assisted in the return preparation from the requirement of the tax preparer registration. It is believed that currently it is often a licensee lower in the organization that would actually sign for the tax return. Therefore, the language doesn’t appropriately reflect the intent.

Mr. Driftmier expressed appreciation to the Legislative Committee for their diligent deliberation on this bill.

g. SB 963 (Ridley-Thomas) – Regulatory Boards: Operations.

Ms. Hariton reported that this bill provides for oversight of all regulatory boards. It also provides for the establishment of the Office of the Consumer Advocate (OCA) within the DCA and will subject a regulatory board to review by the standing policy committees of the Legislature upon the request of the members of the Legislature or the Chief of the OCA. Board reviews would evaluate and determine whether a board’s operations effectively protect the public and whether protection of the public is the board’s highest priority. This bill provides for the removal of board members if the standing policy committee determines deficiencies.

Ms. Hariton reported that the Legislative Committee recommended that the Board adopt a “watch” position on this bill.

It was moved by Mr. Oldman, seconded by Mr. Petersen, and unanimously carried to adopt the Legislative Committee’s recommendations on Agenda Items IX.D.3.b – g.

Mr. Petersen stated that AB 2473 (Agenda Item IXD.3.d.), which is this Board’s bill for purposes of mobility and other licensing provisions, is scheduled to be heard by the Assembly B&P Committee on April 15, 2008. He requested that every possible

member of the Board and the public attend the hearing in support of the bill.

Mr. Petersen requested that Ms. Sigmann notify the Board members of the time and place for the hearing so that they may put it on their schedules. Mr. Petersen referred the Board members to the *Pocket Directory of the California Legislature* that was provided to them for contact information of the Senate and Assembly Committee members.

E. Enforcement Program Oversight Committee (EPOC).

There was no report on this agenda item.

X. Appeals – Personal / Written – None.

XI. Recommendations of CPA Qualifications Committee.

A. Personal / Written Appeals – None.

XII. Petitions, Stipulations, and Proposed Decisions [Closed Session Government Code Section 11126(c)(3)] *Petition Hearings are Public Before the Board with a Subsequent Closed Session.

A. Berdj Joseph Rassam – Default Decision.

The Default Decision in the matter of the Accusation filed against Berdj Joseph Rassam was adopted.

B. William E. Himmelmann – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against William E. Himmelmann was adopted.

C. John Goodell – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against John Goodell was adopted.

D. Troy Barnett– Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against Troy Barnett was adopted.

E. Ira Berkowitz – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against Ira Berkowitz was adopted.

F. Christopher Ruth – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against Christopher Ruth was adopted.

G. Anthony J. Azavedo – Stipulated Settlement

This agenda item was deferred.

XIII. Other Business.

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

1. Update on AICPA State Board Committee.

Mr. Driftmier reported that the committee is addressing the examination scoring issues. He stated that the committee meets twice a year and he will be attending the next meeting in Dallas, Texas on May 20 – 21, 2008.

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

1. Update on NASBA Committees.

a. CBT Administration Committee.

Ms. Sigmann reported that the CBT Administration Committee met during the Annual Executive Directors/Legal Counsel Conference and she would be reporting the highlights later in the agenda.

b. Compliance Assurance Committee.

Mr. Petersen reported that the committee has had one organizing telephone call. He expects the committee will have more to report by the next Board meeting.

c. Communications Committee.

There was no report on this agenda item.

2. Report on the Annual Executive Directors/Legal Counsel Conference.

Ms. Sigmann reported that she and Ms. Jeanne Werner of the Attorney General's Office attended the conference in Texas. Ms. Sigmann indicated that Ms. Werner was unable to attend the Board meeting to provide her report due to illness. The following were highlights of the conference:

- Ms. Sigmann stated that three states reported that they were experiencing practices being vacated by either a death or desertion by a practitioner. Ms. Sigmann indicated that California has experienced this problem on at least four occasions. She stated that legislation is needed to provide a solution for this problem. She inquired with Mr. Oldman as to what attorneys do in these situations.

Mr. Oldman indicated that while sitting on the Executive Committee of the Trust and Estates Section of the State Bar, he wrote legislation titled "Practice Administration." For attorneys, this legislation allows the court to appoint a practice administrator to take over the practice of the deceased attorney. The State Bar has the authority to take over the practice, facilitate returning files to clients, and close the practice of a deceased or disabled attorney. The practice administrator, however, allows for the practice to be carried on and preserve some value for the estate of the deceased member.

Mr. Oldman indicated that this legislation has been on the books for seven to eight years, and has worked well in situations where a sole practitioner passes away or becomes disabled. Mr. Oldman stated that it would be relatively simple legislation to add the word "accountant" to the appropriate Probate Code Section that covers attorneys. Mr. Oldman stated that he would assist Ms. Sigmann in locating the code sections.

Ms. Sigmann indicated that this matter would need to be brought back to the Board for discussion. She stated that in general, the Executive Officers at the conference were in consensus that this issue will become more serious as time goes on.

- Ms. Sigmann reported that several states are converting from paper files to electronic files. She stated that some of those states gave examples of bad experiences in this process, which provided guidance to help avoid pitfalls as California moves toward an electronic filing system.
- Ms. Sigmann reported that there was a lot of discussion pertaining to "International Standards." She stated that the Securities and Exchange Commission is considering adopting the "International Financial Reporting Standards" in approximately five years. In at least the public company arena, there will be standard changes that will be recognized across the world. With that considered, the current examination needs to be reviewed for the possibility of becoming an international examination.

Mr. Driftmier stated that it is of great importance that the Board pay close attention to the changes that are coming.

Ms. Sigmann stated that she believed that a member of the Board should become a participant in the process through NASBA so they may be able to report any progress back to the Board.

Ms. Sigmann reported that NASBA is planning an International Regulators Conference in Boston the day after the annual meeting. She acknowledged the importance of the Board to be represented at that meeting, for which staff are in the process of obtaining the budgetary approval needed for the out-of-state travel expense.

Ms. Sigmann reported that NASBA is having an Examination Conference in May immediately preceding the AICPA State Board Committee Meeting, for which NASBA will pay for an Executive Officer and a Board member to attend. This meeting will include discussion of the future of the examination and changes that are needed.

Mr. Ken Bishop of NASBA stated that the Examination Conference will include discussion of the existing contract for the examination, which is due to expire in 2012. There will also be consideration of a contingency examination to be used in an emergency situation where something goes wrong with the examination process. In addition, there will be discussion of international delivery of the current Prometric examination outside the domestic centers.

Mr. Driftmier stated that he will be attending the Examination Conference.

Ms. Hariton inquired as to the timeframe before there is an international examination.

Ms. Sigmann reported that it will be at least five years. She indicated that there are several NASBA committees working on this matter. She stated that IQAB is deeply involved because it will effect how they do business.

3. Proposed Responses to NASBA's Regional Directors' Focus Questions.

Mr. Rich gave an oral summary of his memo to the Board members regarding the proposed responses to NASBA's Regional Directors' Focus Questions (**see Attachment 10**).

It was moved by Mr. Petersen, seconded by Mr. Oldman, and unanimously carried to approve the proposed responses to NASBA's Regional Directors' Focus Questions.

C. Consent Agenda.

**It was moved by Dr. Charney, seconded by Ms. Anderson, and unanimously carried to adopt the consent agenda.
(see Attachment 11.)**

D. Board Member Comments.

Mr. Bermúdez inquired whether there was an update on scheduling the retreat.

Ms. Sigmann responded that the dates have been set. The location has not yet been determined, but will likely be in the Napa area or Orange County.

Mr. Bermúdez requested that the Board have a retreat every year and consider planning the retreat for 2009. Ms. Taylor suggested that Lake Tahoe, California be considered for the retreat location.

Mr. Ramirez requested clarification of when the Board wanted to bring back the discussion of the "G" license to the CPC.

Ms. Bowers responded that the staff have currently scheduled this matter for the July 2008 CPC and Board meetings.

Mr. MacAloney commented on the negative press the Board has received in the recent past. Mr. Ramirez suggested that the Board issue its own press releases on a regular basis. Ms. Sigmann responded that she is recruiting for an Information Officer II, which is a new classification for the Board. She indicated that once this position is filled, the staff would welcome ideas on how to get the Board in the press.

Ms. Hariton asked if the DCA has a Public Affairs Department that the Board may utilize as a resource.

Ms. Sigmann responded that the DCA does have a Public Affairs Office, however, she is hopeful that the Board will have their own in-house person hired within the next three weeks.

Ms. Hariton requested that this matter be brought back to the Board for discussion at the May 2008 meetings.

E. Comments from CalCPA Representative.

Mr. Hal Schultz thanked and congratulated the Licensing Unit for decreasing its processing time.

F. Comments from SCA Representative.

No comments received.

G. Public Comments.

Mr. Carl Olson supported the idea of the Board issuing its own press releases to notify the public of the protection it's being given by the Board's actions.

H. Agenda Items for Future Board Meetings.

No further comments received.

XIV. Adjournment.

President Driftmier adjourned the meeting at 11:55 a.m. on Friday, March 21, 2008.

Donald Driftmier, President

Rudy Bermúdez, Secretary-Treasurer

Paula Bruning, Executive Office Technician, and Carol Sigmann, Executive Officer, California Board of Accountancy, prepared the Board minutes. If you have any questions, please call (916) 561-1718.