

**CALIFORNIA BOARD OF ACCOUNTANCY**

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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE
JULY 25, 2008
BOARD MEETING

Sheraton Pasadena Hotel
 303 East Cordova Street
 Pasadena, CA 91101
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I. Call to Order.

President Donald Driftmier called the meeting to order at 8:35 a.m. on Friday, July 25, 2008, and the Board and Administrative Law Judge (ALJ) David B. Rosenman heard Agenda Item XII.A. The Board convened into closed session at 10:30 a.m. to deliberate Agenda Item XII.A. The meeting reconvened into open session at 11:10 a.m., and the Board and ALJ David B. Rosenman heard Agenda Item XII.B. The Board again convened into closed session at 12:07 p.m. to deliberate Agenda Item XII.B., and also to consider Agenda Items XII.C.-F. The meeting reconvened into open session at 12:55 p.m., and adjourned at 2:43 p.m.

Board MembersJuly 25, 2008

Donald Driftmier, President	8:35 a.m. to 2:43 p.m.
Robert Petersen, Vice President	8:35 a.m. to 2:43 p.m.
Rudy Bermúdez, Secretary-Treasurer	8:45 a.m. to 1:46 p.m.
Sally Anderson	8:35 a.m. to 2:43 p.m.
Richard Charney	Absent
Angela Chi	8:35 a.m. to 2:43 p.m.
Lorraine Hariton	8:35 a.m. to 2:43 p.m.
Louise Kirkbride	8:35 a.m. to 1:43 p.m.
Leslie LaManna	8:50 a.m. to 2:43 p.m.
Bill MacAloney	8:35 a.m. to 2:43 p.m.
Marshal Oldman	8:40 a.m. to 2:43 p.m.
Manuel Ramirez	8:35 a.m. to 2:43 p.m.
David Swartz	8:35 a.m. to 2:43 p.m.
Lenora Taylor	8:35 a.m. to 2:43 p.m.
Stuart Waldman	8:35 a.m. to 2:43 p.m.

Staff and Legal Counsel

Patti Bowers, Chief, Licensing Division
Paula Bruning, Executive Assistant
Veronica Daniel, Executive Office Technician
Gary Duke, Legal Counsel, Department of Consumer Affairs
Dominic Franzella, Renewal Coordinator
Scott Harris, Deputy Attorney General, Department of Justice
Lauren Hersh, Information and Planning Officer
Larry Knapp, Supervising Investigative CPA
Deanne Pearce, Licensing Manager
Dan Rich, Acting Executive Officer
George Ritter, Legal Counsel, Department of Consumer Affairs
Liza Walker, Practice Privilege Coordinator

Committee Chairs and Members

Harish Khanna, Chair, Administrative Committee
Tracy Garone, Chair, Qualifications Committee
Gary O'Krent, Member, Qualifications Committee

Other Participants

Javier A. Alabart, Attorney at Law
Daniel R. Banuelos
Eli Buchalter
Jerry A. Chad, Attorney at Law
Stephen Friedman
Kenneth Hansen, KPMG LLP
Ed Howard, Center for Public Interest Law (CPIL)
Carl Olson
David B. Rosenman, Administrative Law Judge
Hal Schultz, California Society of Certified Public Accountants
Jeannie Tindel, California Society of Certified Public Accountants
David B. Tolkman, Society of California Accountants
Mike Ueltzen, American Institute of Certified Public Accountants
Dawn Young, Court Reporter

II. Board Minutes.

The draft Board minutes of the May 9, 2008, Board meeting were adopted on the Consent Agenda (See Agenda Item XIII.C.).

III. Report of the President.

Mr. Ritter introduced Gary Duke, who is replacing Mr. Ritter as the Board's new staff counsel. Mr. Duke has been employed by the Department of Consumer Affairs (DCA) for approximately 17 years, and is a Senior Staff

Counsel. He has represented the Veterinary Board, the Board of Engineering, the Geology Board, the Fiduciary Bureau, as well as the Board of Barbering and Cosmetology. He graduated from McGeorge School of Law, and was admitted to the State Bar of California in 1991.

Mr. Driftmier thanked Mr. Ritter for his time and hard work on behalf of the Board, and welcomed Mr. Duke.

Mr. Swartz wished Mr. Ritter well.

A. Nomination for NASBA Director-at-Large.

It was moved by Mr. MacAloney, seconded by Ms. Hariton, and unanimously carried to approve the nomination of Ms. Sally Flowers for NASBA's Director-at-Large position. Mr. Bermúdez, Ms. Taylor and Mr. Ramirez were temporarily absent (see Attachment 1).

B. Delegation of Authority: Responsibilities, Duties and Functions of Executive Officer.

It was moved by Ms. Hariton, seconded by Ms. Chi, and unanimously carried to approve Dan Rich as the California Board of Accountancy's acting Executive Officer. Mr. Bermúdez, Ms. Taylor and Mr. Ramirez were temporarily absent (see Attachment 2).

IV. Report of the Vice-President.

A. Report on the PCAOB Forum on Auditing in the Small Business Environment.

Mr. Peterson stated that he attended the PCAOB Forum in San Francisco, California.

B. Special Recruitment Committee for Executive Officer.

Mr. Petersen reported that the Special Recruitment Committee has met twice, once on July 7, 2008, and again on July 24, 2008. The committee received 81 applications in response to the recruitment ads placed by the Board. The committee has narrowed the applications down to approximately 10 candidates; however, the committee also would entertain the possibility of accepting additional applications. Two members of the committee will conduct preliminary telephonic interviews of the 10 candidates, after which the successful candidates will then be brought before the committee to interview. Those candidates will then be narrowed down once more, and the remaining candidates will be brought before the entire Board for an interview.

V. Report of the Secretary-Treasurer.

There was no report on this agenda item.

VI. Report of the Executive Officer.

A. Update on Board Staffing.

Mr. Rich reported that five additional staff members have left since the previous Board meeting. Six positions were filled, leaving the Board with nine current vacancies. Of those nine vacancies, four are in Enforcement, three of which are within the Investigative Certified Public Accountant (ICPA) series.

Mr. Rich introduced Veronica Daniel, the Board's new Executive Office Technician.

B. Public Relations Campaign on Peer Review.

Ms. Hersh reported that a cursory public relations campaign was crafted focusing on education outreach to consumers (**see Attachment 3**). This campaign would not only emphasize the importance of peer review, but highlight the benefits of requesting peer review reports, and outline the information peer review reports can provide. It would also provide outreach to those firms offering accounting services by informing them that peer review and transparency can be a positive marketing tool to establish consumer trust and confidence. It would also include the cost of peer review and the added value that comes from positive peer review reports. The key audiences include small business owners, as well as sole proprietors, and firms subject to peer review. Some key messages include the concept that peer review is designed to ensure that accounting and auditing services adhere to professional standards, and that peer review keeps the firms knowledgeable, as well as competitive. Some possible vehicles for the campaign include brochures produced by DCA's Policy and Publications Development Office, digital brochures that can be made available on a firm's website, press releases sent to print and online business periodicals, submission to opinion editorial pages in business periodicals supporting peer review, mailing out brochures with license renewals, as well as posting information on the Board's website and utilizing the new email alert system.

Ms. Hariton inquired into the possibility of creating a Certificate of Completion for those firms that have satisfactorily undergone peer review. Ms. Hersh stated that it may be a useful marketing tool, but would not be a certification of anything by the Board.

Ms. Anderson stated that she would like to see the word "quality" in the slogans generated for the campaign.

Ms. Kirkbride stated that the ideas generated in the public relations campaign are great. Mr. Driftmier stated that Ms. Kirkbride has expressed interest in working with Ms. Hersh on this campaign. He further requested a copy of any public relations materials crafted by Board staff prior to dissemination to the public. Mr. Rich stated that this campaign is still in a developmental stage, and he anticipated bringing all ideas before the Board for approval before proceeding with a formal campaign. Ms. Hersh is optimistic that a comprehensive plan will be created for presentation to the Board by November 2008.

C. Process for Regularly Issuing Press Releases.

Ms. Hersh reported that a process for issuing press releases was crafted to provide positive feedback to the public regarding the Board's progress and actions (**see Attachment 4**). Ms. Hersh recommended a subscription service, Media Hub, which is a division of Market Wire. Market Wire has a successful track record in disseminating information to the public. A subscription would allow the Board to have a continually updated database of media contacts. Media lists can be customized that would ensure press releases are disseminated to those in the industry. It would also give the Board access to the editorial calendars of major editorial outlets. Media Hub has also offered the Board the use of other databases, such as a database to elected representatives, as well as financial analysts. Ms. Hersh also opened a public information account with California Chronicle, an online publication that publishes press releases as news items. She expected that a press release process will be in place by October, with the expectation that a state budget will be signed by then.

D. Proposed Responses to the AICPA *Proposed Content and Skill Specifications for the Uniform CPA Examination* Exposure Draft.

It was moved by Mr. Oldman, seconded by Mr. MacAloney, and unanimously carried to accept the comments prepared by Ms. LaManna and Ms. Chi as individual responses to the AICPA Uniform CPA Examination Exposure Draft (see Attachment 5).

E. Report on Licensing and Exam.

Ms. Bowers reported the Licensing Division Activity Report is a four-month snapshot of the workload impacting the Licensing Division (**see Attachment 6**). In June 2008, the Examination Unit experienced an all-time high in the number of applications received from individuals requesting to sit for the exam. There were 2,678 combined repeat and first-time sitter applications received, which is a significant increase from June 2007. Ms. Bowers acknowledged Deanne Pearce, Manager of the Examination Unit, as well as the Examination Unit staff for maintaining an outstanding processing timeframe of 23 days for first-time sitters, and six

days for repeat candidates.

A new testing format was introduced in the July/August testing window. This change was initiated due to significant problems experienced with the previous methodology to ensure the research feature of the exam is more user-friendly.

There was a total \$67.80 increase for all sections of examination fees, and no significant negative feedback from candidates has yet been received.

Ms. Bowers stated that the Licensing Unit currently has a processing timeframe of 39 days for CPA applications. This timeframe has increased slightly as a result of staff vacancies at the technical level, and the Board is actively recruiting to fill those vacancies. She further stated that she is closely monitoring this timeframe and is prepared to redirect staff, if necessary, to ensure we continue to maintain an acceptable processing timeframe.

Pathway 0 allows applicants who have been in the pipeline since 2002 to sit for the CPA exam. Only those candidates whose requirements were in place prior to the creation of the new pathways are allowed to use Pathway 0. The majority of candidates are coming through under General Accounting Experience in Pathways 1 and 2. Pathway 1 (a) is Pathway 1 with attest experience, and Pathway 1 (g) is Pathway 1 with general accounting experience.

The Renewal Unit implemented a continuing education worksheet review in July 2008. There were 2,714 worksheets reviewed in June, of which 143 deficiencies were identified, 29 individuals complied with requested corrections, and one licensee requested their license be changed to an inactive status. Ms. Bowers stated the Renewal Unit continues to work with licensees to address any outstanding deficiencies.

At the May 9, 2008, Board meeting, Mr. MacAloney requested the number of licensees leaving public practice. Ms. Bowers stated there is no way to ascertain this number; however, a random sampling was conducted. As of January 1, 2007, there were 39,056 licensees holding valid licenses to practice public accountancy. As of December 31, 2007, 3,172 licensees changed their license to an inactive status, while 92 licensees allowed their license to expire.

The Board does not remove individuals' information from the website. Deceased individuals are not removed from the website. Upon notification, the website will be changed to reflect the individual is deceased. Additionally, if a license remains in a delinquent status for five consecutive years, the information will be updated to reflect a cancelled status.

The Practice Privilege Unit issued 17 notices of intent to suspend, and one actual suspension of practice rights was issued in June 2008. The 17 notices of intent to suspend were the result of individuals failing to pay their notification fee. The one suspension was the result of information obtained during the audit. An advance snapshot of suspension activity for July was given, which is not a complete reflection of July's activity. There were eight administrative suspension orders issued for nonpayment, along with 14 intent to suspend notices as a result of information received related to the audit process.

The Client Services Unit launched an online customer service survey on July 1, 2008, to evaluate stakeholder satisfaction with the level of service provided by the Board. Ms. Bowers anticipated providing Board members a sample of the types of survey responses received at a future meeting.

VII. Report of the Enforcement Chief.

A. Report on Status of Enforcement Matters.

1. Activity and Status Reports.

Mr. Knapp reported the number of new complaints filed for the current fiscal year was 469. He stated that 33 accusations were filed for the current fiscal year. The number of formal disciplinary matters acted on by the Board was 38.

Mr. Knapp reported there are currently 29 cases assigned to the Attorney General's Office; 10 are undergoing the preparation for an Accusation and 19 are in the post-accusation phase. There are 66 cases currently undergoing probation monitoring.

2. Major Case Summary.

Mr. Knapp reported there is one item listed as an open matter in the major case category.

Mr. Knapp stated that the Enforcement Program is taking a proactive approach to determine enforcement-related issues. There has been an increase in the amount of cases received by Enforcement. These are related to more consumer complaints, as well as internal referrals. The Enforcement Program has also initiated a project focusing on the area of Continuing Education; reviewing licensees' renewal information and confirming the accuracy of reported continuing education information.

Mr. MacAloney requested the timeframe in regards to how long it takes for a case to mature from the investigative portion to a case

decision. Mr. Knapp stated the average time frame to complete an investigation is twelve months. If disciplinary action is taken, the case is transferred to the Attorney General's Office, which increases this timeframe. The Enforcement Program currently has five investigators and three analysts.

3. Report on Citations and Fines.

Mr. Knapp reported that as of June 30, 2008, 31 fines were issued this fiscal year for a total of \$42,000. The total receivable balance is \$33,450. 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.

Mr. Olson inquired into the status of the fine assessed to KPMG. Mr. Driftmier stated the information can be located on the Board's website.

4. Reportable Conditions Data.

Mr. Knapp reported that as of June 30, 2008, 415 reportable events were received; 372 of those reportable events are restatements, with the majority related to publicly-traded companies.

B. Request for Change to Disciplinary Information on the Board's Web Site for Deceased Licensee.

In 2005, the Board adopted a policy stating that the Board will not voluntarily offer information regarding the existence of a disciplinary action after seven years had passed from the effective date of the decision. Exceptions to this policy include revocations, reinstatements following revocations, and licensees who surrender their license as a result of disciplinary action. License Lookup on the Board's website provides the status of a license, including disciplinary action. The license lookup provides a summary of the reason for the discipline. Information on revocations is never removed from the website.

On May 8, 2008, the Board received a request from Mr. Eric Veercamp to remove Ms. Kimberly Ann Veercamp's name from the enforcement action listing on the Board's website (**see Attachment 7**). It was confirmed that Ms. Veercamp passed away in September 2004. Ms. Veercamp's CPA license was revoked by a default decision on October 25, 2002. Information regarding this revocation is posted on the Board's website.

Ms. Taylor stated she is concerned that consumers may have potential claims against the estate of a deceased licensee, and would like the website to reflect Deceased/Revoked. Ms. Bowers stated her uncertainty that the License Lookup has the ability to place a dual license status on

the website. Ms. Taylor reiterated her position, and if a dual license status is impossible to reflect on the website, the license status should remain as is.

It was moved by Ms. Taylor, seconded by Mr. Ramirez, and carried to list the license status as Deceased/Revoked if possible, or to leave as Revoked if dual license status is not possible. Ms. LaManna abstained. Mr. Bermúdez and Ms. Kirkbride were temporarily absent.

VIII. Regulations.

A. Update on Regulations (**see Attachment 8**).

IX. Committee and Task Force Reports.

A. Administrative Committee (AC).

There was no report on this agenda item.

B. CPA Qualifications Committee (QC).

1. Minutes of the April 23, 2008, QC Meeting.

The minutes of the April 23, 2008, QC meeting were adopted on the Consent Agenda (see Agenda Item XIII.C.).

2. Report on the July 9, 2008, QC Meeting.

Ms. Garone stated that two Section 69 meetings were held, in which 10 appearances were made, five personal appearances were approved, and one was not. There were two Section 69 files approved, while two were not.

On July 9, 2008, the minutes from the April 23, 2008, meeting were approved. The QC welcomed new member, Mr. James Woyce. Ms. Sigmann was also in attendance, and the committee expressed their appreciation to her for the job she had done as Executive Officer. Ms. Hersh delivered a presentation on the new email alert system, which will soon be available to consumers via the website. The QC also accepted the meeting dates for 2009/2010, which were provided to the Board for approval. A yearly internal audit of applications approved for licensure was conducted. There were 3,949 files; the committee reviewed 39 of those files and concurred with the staff's approval of the applications.

3. Proposed 2009 QC Meeting Dates.

It was moved by Mr. Ramirez, seconded by Ms. Taylor, and unanimously carried to approve the 2009/2010 QC meeting dates (see Attachment 9).

C. Committee on Professional Conduct (CPC).

1. Minutes of the May 8, 2008, CPC Meeting.

The minutes of the May 8, 2008, CPC meeting were adopted on the Consent Agenda (see Agenda Item XIII.C.).

2. Report on the July 24, 2008, CPC Meeting.

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

3. Reconsideration of the Draft Peer Review Report to the Legislature.

The CPC recommended that the Board approve the report with a minor modification on page 20, and any additional modifications to any section of the report necessary to reflect decisions reached in CPC Agenda Item VI. Staff are to bring the report back to the September meeting for final adoption.

4. Further Discussion of Enforcement Staffing Needs and Costs Analysis Related to Peer Review.

Staff provided an updated cost analysis regarding staffing needs relative to the peer review requirement. Staff recommended to forgo using the AC, since it was believed the activities would be outside the scope of the AC. The committee requested Board staff to revise the cost analysis utilizing the AC process. The CPC will consider guidelines for using the AC at a future meeting.

5. Consideration of Additional Peer Review Exemption for OCBOA Services.

The CPC adopted staff's recommendation that compiled non-disclosure financial statements prepared on other comprehensive basis of accounting (OCBOA) should not be excluded from the peer review requirement.

6. Further Discussion of Revised Statutory Language Related to Peer Review.

No discussion took place as staff did not have any revised statutory language related to Peer Review for CPC consideration.

7. Further Discussion of Revised Regulatory Language Related to Peer Review.

Due to an issue with incorporation-by-reference of the entire AICPA Standards into regulations, staff provided the CPC with three options for further development of statutory and regulatory language upon which a peer review program can be based. The CPC heard from constituents, which included members of the CPIL, members of the industry, as well as the Board's legal counsel regarding potential options for statutory and regulatory solutions.

The CPC directed staff to work with legal counsel to draft broad regulatory language in Section 46 similar to the Board's Professional Conduct and Ethics (PC&E) regulations to give the Board authority to approve peer review programs.

Staff provided the CPC with revised regulatory language (**see Attachment 10**).

The CPC recommended that the Board adopt the revised regulatory sections drafted by staff.

It was moved by Mr. Ramirez, seconded by Mr. Oldman, and carried to approve the draft regulatory language. Ms. LaManna abstained.

8. Consideration of the Elimination of the Option for Obtaining CPA Licensure with General Experience.

Staff provided background and an overview of the issue paper relative to the elimination of the option for obtaining CPA licensure with general experience. Due to the considerable discussion on this item, the CPC requested this agenda item be deferred and placed on the September CPC and Board agendas.

D. Legislative Committee.

1. Minutes of the May 8, 2008, Legislative Committee Meeting.

The minutes of the May 8, 2008, Legislative Committee meeting were adopted on the Consent Agenda (see Agenda Item XIII.C.).

2. Report on the July 24, 2008, Legislative Committee Meeting.

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

3. Update on Legislation

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

This bill was amended on June 24, 2008, and no longer applies to the Board.

The Legislative Committee recommended that the Board discontinue tracking this bill.

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

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

This bill changes the date for submission of the Board's peer review report to the Legislature from September 2011 to September 2008. The bill remains in the Senate Committee on Business, Professions and Economic Development.

The Legislative Committee recommended that the Board continue a "support" position on this bill. The Board concurred with the Legislative Committee's recommendation.

c. AB 1925 (Eng) – Franchise Tax Board: Professional or Occupational Licenses.

This bill has been amended several times since the Board's March 27, 2008, letter to Assemblyman Eng; however, the Board's concerns have not been addressed. On July 3, 2008, this bill was amended and re-referred to the Committee on Revenue and Taxation.

Mr. Rich stated that DCA, as well as other state boards, are concerned with this bill. DCA's legislative staff had taken an informal "oppose" position on this legislation, and had submitted a letter to the Governor's Office.

The Legislative Committee recommended that the Board adopt an "oppose unless amended" position on this bill. The Legislative Committee also recommended that the Board speak with other state boards to determine their position on this bill.

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

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

Ms. Hariton reported this bill is “dead.”

The Legislative Committee recommended that the Board move the items in this bill pertaining to cross-border practice and the elimination of Pathway 1 to the CPC agenda for further discussion. The Board concurred with the Legislative Committee’s recommendation.

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

Ms. Hariton reported that this bill currently remains in the Assembly Committee on Appropriations.

The Legislative Committee recommended that the Board continue with a “watch” position on this bill. The Board concurred with the Legislative Committee’s recommendation.

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

This bill was signed into law by the Governor on June 23, 2008, and became effective immediately upon signature.

The Legislative Committee recommended that the Board discontinue tracking this bill. The Board concurred with the Legislative Committee’s recommendation.

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

This bill is currently in the Assembly Committee on Appropriations’ suspense file. DCA has taken an “oppose” position on this bill.

The Legislative Committee recommended that the Board draft a letter to the author outlining the Board’s concerns with replacing the sunset review process with reconstitution of board members, ex-parte communications, and requiring the Executive Officer to be approved by DCA and the Senate when a board has been reconstituted. The Legislative Committee also recommended that the Board adopt an “oppose unless amended” position on this bill.

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

- h. SB 1689 (Lowenthal and Negrete McLeod) – Local Agencies: Redevelopment.

Amendments to the bill addressed the Board’s concerns regarding

giving the State Controller the authority to sanction Board licensees and the impact of the tight timelines for the Board to conduct its investigations.

The Legislative Committee recommended that the Board adopt a “support” position on this bill.

It was moved by Mr. Petersen, seconded by Ms. Hariton, and unanimously carried to adopt the Legislative Committee’s recommendations on Agenda Items IX.D.3.a., IX.D.3.c., IX.D.3.g., and IX.D.3.h. Mr. Bermúdez and Ms. Kirkbride were temporarily absent.

4. Report of Options By Which the Board Can Work More Effectively in the Legislative Environment.

Staff conducted a presentation regarding available options to become more successful in the legislative process. Topics discussed included reclassifying the current Legislative Analyst position to a CEA position, requesting additional staff by submitting a budget change proposal, and hiring a lobbying firm. Other means considered included continuing the current analyst recruitment or reclassifying the position to a Staff Services Manager I (Specialist). Laura Zuniga, Deputy Director of DCA’s Division of Legislative and Regulatory Review, will appear at the September 2008 Board meeting to discuss these issues.

In addition, Mr. Bermúdez, Mr. Waldman, and Mr. Rich will work together to facilitate the identification and recruitment of experienced candidates for the vacant Legislative/Regulation Analyst position.

E. Enforcement Program Oversight Committee (EPOC).

There was no report on this agenda item.

F. Ethics Education and Licensing Frequency Task Force (EELF).

1. Report on the July 24, 2008, EELF Task Force Meeting.

Ms. Anderson reported the EELF Task Force met the previous day to discuss and take action on the following agenda items.

2. Consider Proposed Meeting Dates for the Ethics Education and Licensing Frequency Task Force.

It was unanimously agreed to schedule Task Force meetings in conjunction with the Board meetings.

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

3. Review Goals and Consider Proposed Meeting Timeline for the Ethics Education and Licensing Frequency Task Force.

It was unanimously agreed to accept the goals and proposed meeting timeline outlined by staff.

It was moved by Ms. Anderson, seconded by Mr. Ramirez, and unanimously carried to approve the EELF Task Force's recommendations on Agenda Items IX.F.2. and IX.F.3. Mr. Bermúdez and Ms. Kirkbride were temporarily absent (see Attachment 11).

4. Overview of the License Renewal Requirements and Renewal and Continuing Competency Unit Functions.

Staff provided the Task Force with an overview of the present renewal process and Renewal and Continuing Competency Unit's primary functions.

5. Staff Report on Pre-Selection of Continuing Education (CE) Audits and Non-Compliance Penalties for Continuing Education.

Staff provided the Task Force with a memorandum highlighting the proposed CE audit process, which focused specifically on pre-selection. Task Force members offered suggestions regarding extensions for licensees and an early-notification system. There was discussion of possibly increasing the notification time to 90 days. Additionally, the Task Force was given a brief overview of the audit process on a national level. Staff also provided the Task Force with an overview of the non-compliance penalties for continuing education **(see Attachment 12)**.

6. Consideration of Proposed Changes to the Current Two-Year License Renewal Requirements.

The Task Force concurred with Board staff's recommendation to maintain the present two-year license renewal requirement.

The Task Force also directed staff to explore modifying the Board's continuing education requirements to have licensees complete a specified number of continuing education hours annually.

7. Consideration of Proposed Changes to the Current Ethics Education Requirements for License Renewal.

Ms. Anderson reported that there was preliminary discussion of the content requirements of the Board's current PC&E courses. Task Force members generally agreed the existing course content was

sufficient, and that the Task Force should focus on delivery method, length and frequency. The Task Force directed staff to explore dividing the existing course content requirements between regulatory and ethics, and possibly by area of focus (tax vs. attest). In addition, the Task Force directed staff to explore emphasizing a delivery method that would engage licensees during presentation. The Task Force would like to ensure that some of the ethics classes will include actual ethical dilemmas and examples of enforcement violations.

X. Appeals – Personal / Written.

A. Personal Appeals – 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. Daniel Banuelos – Petition to Reinstate Revoked Certificate.

The Board and ALJ David B. Rosenman heard the petition. The ALJ will prepare the decision.

B. Eli Buchalter – Petition to Reinstate Revoked Certificate.

The Board and ALJ David B. Rosenman heard the petition. The ALJ will prepare the decision.

C. James Fazio – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against James Fazio was adopted.

D. Sandra Kardos – Proposed Decision.

The Proposed Decision in the matter of the Accusation filed against Sandra Kardos was adopted.

E. Mitchell Q. Dang - Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against Mitchell Q. Dang was adopted.

F. Raymond Leroy Mathiasen – Stipulated Revocation.

The Stipulation in the matter of the Accusation filed against Raymond Leroy Mathiasen was adopted.

XIII. Other Business.

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

Update on AICPA State Board Committee.

Mr. Driftmier reported that the committee is addressing examination issues, including the exam process, content and grading. Mr. Driftmier stated that individuals can e-mail him if they have any questions they wish to see addressed by the Board of Examiners.

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

1. Update on NASBA Committees.

a. Compliance Assurance Committee.

There was no report on this agenda item.

b. Peer Review Committee.

Mr. Petersen stated that not all states have adopted peer review. The priority of this committee is to identify the reasons for this, and to assist in the universal adoption of peer review.

c. Communications Committee.

There was no report on this agenda item.

d. Accountancy Licensee Database Task Force.

Ms. Bowers stated that a Task Force meeting is scheduled for the end of August 2008, which will hopefully include a list of action items and identifiable target dates for completion.

Staff in the Practice Privilege Unit have received information from approximately 28 state boards. There are two state boards currently outstanding that staff is working to obtain information from. Ms. Bowers stated her hope is that this Task Force will facilitate the information gathering process.

e. Legislative Support Committee.

Mr. Oldman reported his participation in a telephone conference. The topic of discussion was the legislative support committee website, which offers information on nationwide legislation pertaining to accounting boards and issues.

2. Report on NASBA's Western Regional Meeting.

Mr. Driftmier reported that he attended the Western Regional Meeting in Newport Beach, California, in June 2008. He advised the Board of Jeanne Werner's retirement, and stated his appreciation for her hard work and dedication.

Ms. Anderson stated her disappointment with the Board orientation portion of the Western Regional Meeting. She did not think it was conducted professionally.

C. Consent Agenda.

It was moved by Mr. Ramirez, seconded by Mr. Waldman, and unanimously carried to adopt the consent agenda (see Attachment 13). Mr. Bermúdez and Ms. Kirkbride were temporarily absent.

D. Board Member Comments.

Ms. Taylor requested information regarding the money borrowed from the Board by the Governor. Mr. Driftmier stated that DCA's legal counsel advised him that the Governor has the authorization to do this. DCA has informed the Board that a legal opinion will be drafted, and they have asked that the Board wait for the legal opinion to be provided. Mr. Ramirez stated that this transaction will be included in the Board's Financial Report as a receivable loan.

Mr. MacAloney stated his belief that this may be an ongoing issue due to the failure of the state government to appropriately balance their budget. He additionally inquired into the status of the recent incident in which DCA staff's personal information was stolen. Mr. Rich stated that DCA has provided the use of a credit monitoring service for all employees to monitor their credit profile for identity theft.

Mr. Driftmier commented that he found it embarrassing and insulting that state employees' pay would be cut to the federal minimum wage as a "bail-out" for the state government. He further commented that Board staff works extremely hard, and he found it insulting that this Administration is using this as a ploy to settle their problems.

E. Comments from CalCPA Representative.

Mr. Schulz offered his assistance in facilitating the press release process for peer review. He also expressed his appreciation of Mr. Ritter, and looked forward to working with him again someday.

F. Comments from SCA Representative.

No comments were received.

G. Public Comments.

Mr. Olson advised the Board that the American Accounting Association is hosting their national convention in Anaheim, California from August 2 – 6, 2008. He further commented that restatements continue to be a major public problem.

Mr. Olson stated that he presented a Petition for Rulemaking Regarding Restatements to the Board at its February 25, 2008, Board meeting. At the May 9, 2008, Board meeting, Mr. Olson stated the Board did not respond to the petition. At that time, Mr. Driftmier stated that the Board did, in fact, respond, and will provide Mr. Olson with a copy of the response. On May 11, 2008, Mr. Olson submitted a Public Records Request for any and all Board files pertaining to this petition, and so far, has not yet received a reply that is responsive to his request. He stated that the Board is now in violation of the Public Records Act, and urged the Board to come into compliance (**see Attachment 14**). Mr. Driftmier stated the Board will respond expeditiously to his request, and thanked Mr. Olson for his information.

Mr. Harris extended an open door policy to Board members, and he indicated that he hoped to work diligently on behalf of the Board. He further extended his best wishes to Mr. Ritter, and looks forward to working with Mr. Duke.

Mr. Duke stated that he will do his best to provide objective counsel and advice to the Board.

H. Agenda Items for Future Board Meetings.

Mr. Swartz inquired whether or not the mobility issue needed to be placed on an upcoming agenda. Mr. Driftmier stated that if the issue needs to be revisited with Assembly Members Ma and Niello, the issue will be referred back to the CPC. Mr. Rich stated that the Board may need to re-start on the cross-border issue in order to secure full support for the legislation.

Ms. Anderson inquired into the status of restatements. Mr. Rich stated the Board took action on the issue; however, Board staff had not yet proceeded into getting the issue into the legislative arena.

XIV. Adjournment.

President Driftmier adjourned the meeting at 2:43 p.m. on Friday, July 25, 2008.

Donald Driftmier, President

Rudy Bermúdez, Secretary-Treasurer

Marisa Becerra-Garcia, Executive Analyst, and Dan Rich, Acting Executive Officer, California Board of Accountancy, prepared the Board minutes. If you have any questions, please call (916) 561-1718.