



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

**FINAL**

**MINUTES OF THE**  
**SEPTEMBER 24-25, 2009**  
**CBA MEETING**

The Westin San Diego  
 400 West Broadway  
 San Diego, CA 92101  
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Roll Call and Call to Order.

President Robert Petersen called the meeting to order at 10:37 a.m. on Thursday, September 24, 2009 at the Westin San Diego, and the CBA members heard Agenda Items I - XI. The meeting adjourned at 4:05 p.m. CBA President Petersen reconvened the meeting to order at 8:31 a.m. on Friday, September 25, 2009. The CBA members convened into closed session at 8:34 a.m. to deliberate Agenda Items XIV.B. – G. The meeting reconvened into open session at 9:42 a.m., and the meeting adjourned at 10:00 a.m.

CBA Members

September 24, 2009

Robert Petersen, President	10:37 a.m. to 4:05 p.m.
Manuel Ramirez, Vice President	10:37 a.m. to 3:05 p.m.
Lenora Taylor, Secretary-Treasurer	10:37 a.m. to 4:05 p.m.
Sally Anderson	10:37 a.m. to 3:09 p.m.
Diana L. Bell	10:37 a.m. to 4:05 p.m.
Rudy Bermúdez	10:50 a.m. to 4:05 p.m.
Michelle Brough	10:37 a.m. to 3:55 p.m.
Angela Chi	10:37 a.m. to 4:05 p.m.
Donald Driftmier	10:37 a.m. to 4:05 p.m.
Herschel Elkins	12:20 p.m. to 4:05 p.m.
Louise Kirkbride	Absent.
Leslie LaManna	10:37 a.m. to 4:05 p.m.
Marshal Oldman	10:37 a.m. to 4:05 p.m.
David Swartz	10:37 a.m. to 4:05 p.m.

CBA Members

September 25, 2009

Robert Petersen, President	8:31 a.m. to 10:00 a.m.
Manuel Ramirez, Vice President	8:31 a.m. to 10:00 a.m.
Lenora Taylor, Secretary-Treasurer	8:31 a.m. to 10:00 a.m.
Sally Anderson	8:31 a.m. to 10:00 a.m.
Diana L. Bell	8:31 a.m. to 10:00 a.m.
Rudy Bermúdez	8:36 a.m. to 9:26 a.m.
Michelle Brough	8:31 a.m. to 9:26 a.m.
Angela Chi	8:31 a.m. to 10:00 a.m.
Donald Driftmier	8:31 a.m. to 10:00 a.m.
Herschel Elkins	8:31 a.m. to 10:00 a.m.
Louise Kirkbride	Absent.
Leslie LaManna	8:31 a.m. to 10:00 a.m.
Marshal Oldman	8:34 a.m. to 10:00 a.m.
David Swartz	8:31 a.m. to 10:00 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Dan Rich, Assistant Executive Officer  
Veronica Daniel, Executive Analyst  
Gary Duke, Legal Counsel, Department of Consumer Affairs (DCA)  
Erica Eisenlauer, Legislation/Policy Review, DCA  
Dominic Franzella, Renewal Coordinator  
Scott Harris, Deputy Attorney General, Department of Justice  
Lauren Hersh, Information and Planning Officer  
Stephanie Hoffman, Licensing Analyst  
Larry Knapp, Supervising Investigative Certified Public Accountant  
Kris McCutchen, Manager, Licensing Division  
Deanne Pearce, Acting Chief, Licensing Division  
Theresa Siepert, Manager, Administration Division  
Matthew Stanley, Legislation/Regulation Analyst  
Kathy Tejada, Manager, Enforcement Division

Committee Chairs and Members

Tracy A. Garone, Chair, Qualifications Committee  
Cheryl Gerhardt, Enforcement Advisory Committee (EAC)  
Harish Khanna, Chair, EAC

Other Participants

Julie D'Angelo Fellmeth, Center for Public Interest Law (CPIL)  
Kenneth Hansen, KPMG, LLP  
Ed Howard, CPIL  
Cathy Landau-Painter, KPMG

Elaine Lyttleton, NSA/CSATP  
Dr. Craig Mills, American Institute of Certified Public Accountants (AICPA)  
Sarina Mohan, CPIL  
Gregory Newington, Subject Matter Expert  
Carl Olson  
Joe Petito, The Accountants Coalition, E&Y, DT, PWC, KPMG, GT  
Richard Robinson, E&Y, DT, PWC, KPMG, GT  
Hal Schultz, California Society of Certified Public Accountants (CalCPA)  
Jeannie Tindel, CalCPA  
David Tolkan, Society of California Accountants (SCA)

I. Roll Call and Call to Order.

CBA President Petersen called the meeting to order on September 24, 2009.

Mr. Petersen welcomed Ms. Diana Bell, newly appointed member to the CBA.

II. Public Comments.

No comments were received.

III. Report of the President.

A. Proposed Resolution for Retired Board Member, Stuart Waldman.

**It was moved by Mr. Oldman, seconded by Ms. Taylor and unanimously carried by those present to accept the proposed resolution for retired CBA member, Stuart Waldman.**

B. Proposed Resolution for Retired Board Member, Lorraine Hariton.

**It was moved by Mr. Swartz, seconded by Mr. Ramirez and unanimously carried by those present to accept the proposed resolution for retired CBA member, Lorraine Hariton.**

C. Appointment of New Board Secretary/Treasurer.

**It was moved by Mr. Driftmier, seconded by Mr. Swartz and unanimously carried by those present to ratify the appointment of Lenora Taylor to Secretary/Treasurer.**

D. Update on California Research Bureau Study.

Mr. Petersen reported that the California Research Bureau (CRB) concluded their meetings and research necessary to prepare the report. Toby Ewing, CRB Director, will attend a future CBA meeting to present CRB's report to the CBA members and answer any questions. He further

stated the CRB may pose a suggestion to the CBA to further explore the use of compacts among states, to assist in ensuring that California accountants understand the rules of other states.

E. Election of Officers and Committee Appointments.

Mr. Petersen stated new procedures will be followed for the upcoming Officer elections at the November 2009 CBA meeting. He presented the memorandum relating to Officer elections and he further stated members interested in an Officer position for 2010 should submit a one-page statement of qualifications to Veronica Daniel. Nominations can be submitted by any CBA member and this would include self-nominations. He stated the deadline for submissions is October 26, 2009.

F. Proposed 2010 CBA Meeting Dates.

Mr. Petersen reported the future meeting dates for 2010 were revised to accommodate furlough days, and the DCA Professionals Achieving Consumer Trust (PACT) Summit.

Ms. Bowers stated the DCA PACT Summit will take place on July 27, 2010. The DCA is asking boards to limit meetings to one-day and not add additional costs to the state for boards meeting over a three-day period. She requested the CBA members to provide a preference for the July meeting date of either Monday, July 26, or Wednesday, July 28. The majority of the CBA members indicated preference for Wednesday, July 28.

Mr. Ramirez recommended Orange County as a location for a future CBA meeting.

IV. Report of the Vice President.

A. Proposed Resolution for Retiring Enforcement Advisory Committee (EAC) Vice Chair, Randy Miller.

**It was moved by Mr. Bermudez, seconded by Ms. Taylor and unanimously carried by those present to accept the proposed resolution for retiring EAC member, Randy Miller.**

B. Proposed Resolution for Retiring EAC Member, Kathleen Platz.

**It was moved by Ms. Anderson, seconded by Ms. Chi and unanimously carried by those present to accept the proposed resolution for retiring EAC member, Kathleen Platz.**

C. Recommendation for Appointment of New EAC Vice Chair.

**It was moved by Ms. Bell, seconded by Mr. Oldman and unanimously carried by those present to accept the proposed recommendation and appoint Ms. Cheryl Gerhardt as Vice Chair on the EAC.**

- D. Proposed Resolution for Retiring Certified Public Accountant (CPA) Qualifications Committee (QC) Chair, Tracy Garone.

**It was moved by Ms. Chi, seconded by Mr. Swartz and unanimously carried by those present to accept the proposed resolution for retiring QC member, Tracy Garone.**

- E. Recommendation for Appointment of New QC Chair.

**It was moved by Mr. Driftmier, seconded by Ms. Anderson and unanimously carried by those present to accept the proposed recommendation and appoint Mr. Fausto Hinojosa as Chair on the QC.**

- V. Report of the Secretary/Treasurer.

- A. Discussion of Governor's Budget.

There was no report on this agenda item.

- B. Fiscal Year 2008/09 Year-End Financial Statement.

Mr. Rich reported revenues have dropped in FY 2008/09 from previous year, largely due to the \$1 million monetary sanction in FY 2007/08 not being available. He further stated there was a loss of approximately \$600,000 in interest, due to the \$14 million loan to the general fund. He further stated we saw a bit of growth in the examination fees, licensing fees, and renewal categories. Mr. Rich stated the large increase in consultant services/expenses in FY 2008/09 to \$215,000, was largely due to the enforcement service contracts with outside contractors. He further stated expenses went up to \$9.1 million for FY 2008/09 compared to \$8.8 million in the previous year, due to costs related to 17 positions being filled.

Mr. Ramirez inquired regarding the variances with citations and fines, fingerprints, and exam costs. Mr. Rich stated there is not a way to accurately project for enforcement costs. Mr. Rich stated the fingerprints amount was established about a decade ago. He further stated the DCA advised against dropping the amount level as it reduces expenditure authority. Mr. Rich stated follow up will be provided regarding the amount relating to exams.

Ms. Taylor inquired if the drop with enforcement costs had to do with the consultant fees. Mr. Rich stated there is not a connection with enforcement consultant costs. He further stated it largely includes Attorney General's office costs, Office of Administrative Hearings, and evidence witness fees. Ms. Bowers stated follow up will be provided to the CBA members in terms of more detail regarding the drop in enforcement costs.

Mr. Ramirez requested that interest on loans to the general fund be reflected in the financial statement.

The CBA members discussed the issue of allocating costs/reserving funds for situations where the CBA deemed necessary.

Mr. Ramirez requested an update regarding the document imaging project and if funds could be allocated towards moving forward without DCA. Mr. Rich stated the DCA is continuing with the project. Mr. Rich stated follow up will be provided to the CBA members regarding DCA's guidance regarding this matter. Mr. Rich stated there is also an encumbrance process, requiring a formal contract.

Mr. Petersen suggested working out a way to allocate funds to show what we do need in order to operate.

Mr. Bermudez suggested moving towards paperless meeting materials. He stated that money and staff time will be saved in doing so. Mr. Bermudez requested staff look into expenditures relating to this transition. Mr. Petersen suggested this topic be placed on agenda for future discussion. Ms. Bowers stated staff is currently researching options and will place this on the agenda for deliberation once more information is available.

## VI. Report of the Executive Officer.

### A. Update on Current Projects List.

Ms. Bowers presented a handout detailing the projects currently assigned to CBA staff (**See Attachment 1**).

Ms. Chi inquired on the status regarding exam site reviews. Ms. Pearce stated information was received from the National Association of State Boards of Accountancy (NASBA) for those interested in participating in site reviews. Ms. Pearce further stated the information would be provided shortly. Ms. Bowers stated there are two types of visits to exam sites. She stated one is a site visit, following a checklist to ensure centers offering exams are within compliance. The second visit is an unannounced visit (secret shopper). Ms. Bowers stated information will

be provided to the new CBA member (Ms. Diana Bell) regarding participation.

B. Update on Enforcement Program Study.

Ms. Bowers stated the contract for the enforcement consultant is scheduled to end next month, October 2009. Ms. Bowers stated she will be working with President Petersen, and Vice President Ramirez regarding consideration and recommendations on how to proceed, at which time more information will be provided to the CBA.

C. Update on Peer Review Video.

Ms. Hersh provided an overview of the memorandum presenting options available for a peer review video and requested guidance from the CBA members on how to proceed (**See Attachment 2**).

Mr. Ramirez expressed concern with the lack of time available to provide this information to licensees. Mr. Swartz questioned if a peer review video is necessary considering information available from other organizations.

The CBA members further discussed the options and need for a peer review video.

Mr. Ramirez stated due to the time constraints, his recommendation is to first send an immediate written notification to licensees once the bill is signed, informing them of the implementation date; secondly, to send a press release to the media outlets for public information; and third, to provide a notification in November/December 2009 reminding licensees of the effective date.

Ms. Bowers stated most of the suggestions provided are included in the peer review outreach plan. Ms. Hersh provided a brief update on the peer review outreach plan. Ms. Bowers stated the new E-news is another outlet for communication. Ms. Pearce stated there is also a peer review implementation plan in the works and thanked the CBA members for the additional ideas presented.

The CBA members further discussed the options and timeframes associated with informing licensees of peer review. Mr. Swartz stated the video is not practical from a timing standpoint and we should direct licensees to other available resources. Mr. Swartz suggested moving forward with what staff has for implementation and outreach, and incorporate Mr. Ramirez' recommendation. Mr. Petersen concurred with Mr. Swartz and recommended the peer review video be deferred.

**It was moved by Mr. Ramirez, seconded by Mr. Swartz and unanimously carried by those present to accept the below recommendations made by Mr. Ramirez to implement a three-step notification process, and defer the peer review video.**

- **First, immediate notification (one-page letter) to licensees upon signing of the bill, notifying them of a legal change.**
- **Second, a press release to all available media informing the public of mandatory peer review (with explanation).**
- **Third, additional mail notification in November/December 2009, reminding licensees of the implementation date.**

D. Educational Presentation – California Practice Privilege Requirements and Notification Process.

Ms. Pearce presented an informational paper on the California Practice Privilege Requirements and Notification Process **(See Attachment 3)**.

At the conclusion of the educational presentation, Ms. Bowers expressed appreciation to CBA staff for efficient preparation for this CBA meeting.

Ms. Bowers announced the hiring of a new Executive Secretary, Marina Olivarez-Fuentes. Ms. Bowers further announced Veronica Daniel as the new Executive Analyst. Ms. Bowers expressed appreciation to Ms. Daniel for improvements made in the Executive Unit.

E. Discussion on Cross-Border Practice – Part One.

Deferred pending CRB findings.

VII. Committee and Task Force Reports.

A. Report of the Committee on Professional Conduct (CPC).

1. Report of the September 24, 2009 CPC Meeting.

Ms. Anderson reported the CPC met and discussed the following agenda items.

2. Implementation Plans on Legislation:

a. Assembly Bill (AB) 117 – Inactive Designation.

Ms. Anderson reported on the implementation plan for AB 117. She stated staff presented a work plan to inform licensees of the requirements regarding inactive designation.

b. AB 472 – Disaster Preparedness.

Ms. Anderson reported on the implementation plan for AB 472. She stated staff is implementing a required Web link to access the required earthquake emergency preparedness Web site.

c. AB 797 – Accountants Discipline: Internet Posting.

Ms. Anderson reported on the implementation plan for AB 797. She stated the bill did not pass. She further stated the CBA members could choose to go from the current seven years to ten years. She stated staff will look into what other states are doing and report back to the CBA members. Mr. Petersen stated he would be in favor of moving to ten years.

d. AB 1005 – Internet Broadcasting.

Ms. Anderson reported on the implementation plan for AB 1005. She stated staff presented a work plan to allow all CBA meetings to be live video Web cast beginning in January 2010. She further stated a purchase request in the amount of \$36,000 for the necessary equipment has been made. Mr. Petersen stated there were some suggestions for future meetings to be held at government facilities or university settings that may already be equipped with the necessary equipment. Mr. Petersen stated a concern with this option and that further research should take place if this was something the CBA is interested in.

e. AB 1494 – Public Meetings.

No discussion took place regarding this agenda item.

3. Approval of Peer Review Regulations.

Ms. Anderson reported this item was being brought before the CBA members for deliberation.

Mr. Franzella provided an overview of the memorandum relating to draft peer review regulatory language (**See Attachment 4**), which included the draft regulatory text and a draft of the application package to become a CBA-recognized peer review program provider.

Mr. Franzella presented a hand-carried memorandum with attachments. He stated the hand-carried materials were due to recent amendments with the peer review legislation (**See Attachment 5**). Mr. Franzella stated the hand-carried memorandum related to the final approval of peer review regulations.

Mr. Franzella stated staff would like to emphasize the importance of finalizing the regulations at this meeting, due to the number of steps involved with facilitation of the submission, and the deadline for submission to DCA of Monday, September 28, 2009.

Ms. Anderson inquired if the small firms have a minimum of one year to submit peer review reports. Mr. Franzella stated there would be an 18 month window, with no requirements to submit before July 2011.

Mr. Ramirez requested a transition plan from the initial plan, to eventually tie into renewal periods. Mr. Franzella stated option two would tie to licensing renewal periods. Mr. Franzella further stated there may be staffing concerns with this option.

The CBA members discussed the issue of costs relating to small firms.

Mr. Bermudez stated the CBA was aware of problems with the legislation. He stated the problems may be fixed with corrective language legislation. Mr. Petersen stated the CBA could continue with legislation for corrective language, although there is no guarantee for passage.

Ms. Chi suggested option #3; to establish a three-year phase-in period based on firm's license number only, in the event the sunset date ends, so that each firm will have been subjected to peer review.

Mr. Swartz stated option #3 would be ideal, although there is the issue of having enough peer reviewers. Mr. Petersen concurred with Mr. Swartz regarding the concern with there being enough peer reviewers.

Mr. Franzella stated that the CalCPA currently administers 3,000 peer reviews. He further stated the CBA is anticipating about 3,000 additional peer reviews to take place.

Mr. Ramirez inquired if firms could submit a peer review that was completed in the past 12 months to meet the requirements. Mr. Franzella stated there is a 36-month window which a report may be used for submission.

The CBA members discussed options of determining which firms have been peer reviewed in efforts to target the population that have not been peer reviewed.

Ms. Bowers stated with the peer review requirement, we will send notifications to all licensees in various forms, informing them of the phase-in period, due dates, and reporting requirements. She further stated firms will have an opportunity to provide reports if they've already

been peer reviewed.

Mr. Franzella presented Attachment 2 of the hand-carried memorandum relating to amendments to Section 39 – Definitions.

Mr. Ramirez suggested creating more transparency for the public by changing definitions (c) from “standard peer review report” to “pass,” (d) from “conditional standard peer review report” to “pass with deficiencies,” and (e) from “substandard peer review report” to “substandard.”

**It was moved by Mr. Elkins, seconded by Mr. Swartz, and unanimously carried by those present to adopt the regulations with the changes as noted by Mr. Franzella with respect to Option #3, and with respect to the language consistency with AICPA.**

Mr. Bermudez suggested directing staff to start the process for clean-up legislation for AB 138.

Mr. Stanley stated a specific list of requested changes would be necessary to move forward.

Mr. Bermudez stated the CPC would be responsible for determining the necessary changes. Mr. Bermudez further stated these changes would then go through the Legislative process.

**It was moved by Mr. Bermudez, seconded by Ms. Brough, and unanimously carried by those present to direct staff to move forward with clean-up legislation for AB 138.**

B. Report of the Legislative Committee (LC).

1. Report of the September 24, 2009 LC Meeting.

Mr. Stanley reported the LC met and discussed the following agenda items.

2. Update on AB 138 – Peer Review.

Mr. Stanley reported AB 138 passed through the Legislature and is awaiting the Governor’s signature. He further stated the Governor has until October 11, 2009 to sign or veto the bill.

3. Update on Bills on which the CBA has taken a position.

- AB 117 – Inactive Designation.
- AB 472 – Disaster Preparedness.

- AB 797 – Accountants Discipline: Internet Posting.
- AB 1005 – Internet Broadcasting.
- AB 1094 – Abandoned Records.
- AB 1494 – Public Meetings.
- SB 389 – Fingerprinting.
- SB 638 – Sunset Review.
- SB 691 – Substantial Equivalency.
- SB 821 – Omnibus Bill.

Mr. Stanley reported the LC did not take any action on these bills as they have not been amended since the CBA members last heard them, or were amended in minor non-substantive ways.

Mr. Stanley reported AB 117 is currently on the Governor's desk awaiting signature.

Mr. Stanley reported AB 472 is currently on the Governor's desk awaiting signature.

Mr. Stanley reported AB 797 is a two-year bill.

Mr. Stanley reported AB 1005 is currently on the Governor's desk awaiting signature.

Mr. Stanley reported AB 1094 has been chaptered.

Mr. Stanley reported AB 1494 has been chaptered.

Mr. Stanley reported SB 389 is a two-year bill.

Mr. Stanley reported SB 638 is a two-year bill.

Mr. Stanley reported the concepts originally proposed in SB 691 have been amended into SB 819.

Mr. Stanley reported SB 821 is currently on the Governor's desk awaiting signature.

Mr. Stanley provided an overview of the memorandum relating to SB 819 (formerly SB 691). Mr. Stanley reported on Sections 72-80 of SB 819 (**See Attachment 6**).

Mr. Stanley stated SB 819 creates two new committees - the Advisory Committee on Accounting Ethics Curriculum and the Accounting Education Advisory Committee.

Mr. Stanley stated SB 819 is on the Governor's desk for signature, and

it is past the time that amendments may be made. He further stated the CBA members may choose to Support, Oppose, or be Neutral on SB 819.

Mr. Petersen stated he was assured by CalCPA and CPIL that if we identify requirements in the bill that need to be corrected, if reasonable, we will have their support.

**It was moved by Mr. Oldman, seconded by Ms. Anderson and unanimously carried by those present to adopt a Support position on SB 819.**

C. Report on the Enforcement Program Oversight Committee (EPOC).

Ms. Taylor requested a motion to proceed with amending Section 98 of the California Code of Regulations, to incorporate by reference the updated Enforcement Disciplinary Guidelines manual. Ms. Taylor later withdrew her motion.

D. Report of the CBA Member Guidelines and Procedures (G&P) Manual Committee.

1. Report of the August 19, 2009 G&P Manual Committee Meeting.

Mr. Oldman reported on amendments the committee made to the G&P Manual (**See Attached 7**).

**It was moved by Mr. Oldman, seconded by Mr. Bermudez and unanimously carried by those present to adopt the report of the G&P Manual Committee and amendments to the G&P Manual.**

E. Report of the Enforcement Advisory Committee (EAC).

1. Report of the July 6, 2009 EAC Member Training.

Mr. Khanna thanked the CBA members for appointing new EAC Vice Chair, Cheryl Gerhardt. He reported there was a new EAC member training session for the three new EAC members. He further stated the training session went very well.

F. Report of the CPA Qualifications Committee (QC).

There was no report for this item.

VIII. Appeals – Personal/Written

None.

IX. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Ms. Pearce reported the number of days to process a first-time examination application increased to 32 days for the month of July. She stated the goal is 30 days or less.

She further stated the timeframes for August 2009 also increased. She stated staff has been redirected within the division and hiring is taking place to address this concern. Timeframes are being monitored very closely. Ms. Pearce will provide an update at the November CBA meeting.

Mr. Bermudez inquired if this was due to the furloughs. Ms. Pearce stated the furloughs were a contributing factor and there were also internal staffing issues.

Mr. Elkins inquired regarding the increase in repeat sitters for the exam. Ms. Pearce stated she would research the historical numbers to see if there is any consistency with time of year.

Mr. Petersen stated there was a letter from a licensee requesting application status. Mr. Petersen inquired if there was a way to have this information available on the Web site for licensees to be aware of time frames, and how long they should wait before contacting us. Ms. Bowers indicated this information is available in the handbook available on the CBA Web site.

Ms. Pearce reported the Initial Licensing Unit has a processing time within the 30 days target. Ms. Pearce acknowledged Mrs. McCutchen and Ms. Hoffman for their efforts in maintaining processing times.

Ms. Pearce reported the Renewal and Continuing Competency Unit is continuing to send pre-selected audit letters. She further stated additional information will be provided at the November 2009 CBA meeting.

Ms. Pearce reported the Practice Privilege Unit is currently recruiting for a vacant Office Technician position, which is anticipated to be filled this month.

Ms. Pearce reported she had attached revised statistics from the customer satisfaction survey. Previously non-applicable responses skewed the statistics, after review, those non-applicable responses were omitted. Overall satisfaction rate is at 72%, 18% neutral, 10% not satisfied. These results are more positive than what was reported at the July CBA meeting.

Mr. Driftmier stated in regard to repeat sitters, typically there will be an increased number of sitters at times when workload has decreased for those applicants.

B. Consideration of Defining Supervision as Referenced in Sections 12 and 12.5 of the California Accountancy Regulations.

Ms. Pearce reported that prior to 2002; applicants were required to earn experience under direct supervision. In 2002, under Pathway 1 and 2, the direct supervision requirement was no longer required although; the same level of supervision was expected. Since 2003, the CPC, QC and the CBA members have discussed this issue. In July 2003, a public hearing was held to receive comments on a proposed definition, but the QC raised concerns in regard to the definition. At the May 2004 CBA meeting, the CPC made amendments to the proposed definition in response to the QC's concerns. The CBA members decided at its May 2004 meeting not to adopt the definition at that time.

Ms. Pearce reported in reviewing the Uniform Accountancy Act, no model exists for the definition of supervision. Other states are not consistent in supervision requirements.

Mr. Driftmier suggested that the QC should initiate a review of this issue. Ms. Bowers stated when the general accounting requirements originally went into effect, a form existed allowing additional input from supervisors.

Ms. LaManna stated having such a form would alert supervisor that the applicant is requesting supervision.

**It was moved by Mr. Driftmier, seconded by Mr. Bermudez and unanimously carried by those present that the QC is to review the issue.**

C. Discussion of the Presentation Related to International Delivery of the Uniform CPA Examination from the July 2009 CBA meeting.

Ms. Pearce presented a discussion paper on a presentation given by AICPA and NASBA regarding international delivery of the uniform CPA Examination. NASBA presented its plan on implementation at the request of several state boards who wanted to research the possibility of allowing international candidates to take the exam in their own countries for convenience. Due to current economic conditions this has now become a necessity. Staff have identified additional topics for consideration such as applicants must have U.S. social security number, and applicants who have obtained foreign work experience must appear at a QC meeting held in California. NASBA has indicated boards are not required to participate. The CBA staff is seeking direction regarding

whether more information should be gathered; and if a letter should be drafted and sent to NASBA in regard to the CBA's position.

Mr. Petersen stated California is one of 10 states that allows applicants who are non-residents to apply for the Uniform CPA Examination. Mr. Petersen raised concerns of having international candidates sitting as California candidates for the exam, then performing work in their home country.

Mr. Bermudez stated he attended the Forum of Accountancy Regulators comprised of domestic and international attendees. CPA exams for international applicants were discussed. Minimum Qualifications were discussed and if all states would be equivalent. He stated that the CBA does not want international applicants to take the exam in states with lower qualifications. Consistent standards and disciplinary systems are needed among states. The CBA wants state requirements to match those of the UAA. Mr. Bermudez recommended further study on this issue.

Mr. Petersen stated international applicants taking the exam in California receive a letter, not a license upon passing the exam. Further discussion is needed.

Ms. Bowers stated giving the CPA exam outside the U.S. could pose a risk as security standards outside U.S., may not be the same as the U.S. The question was raised if select countries could administer the exam as a pilot to identify concerns. The advantage to international delivery could be reduction in fees for domestic exam applicants. The NASBA plan requires individuals to sign an acknowledgement that they intend to obtain licensure in a U.S. state.

Ms. Chi raised a question in regard to the social security requirement. Ms. Pearce stated the social security requirement is for licensure.

Mr. Oldman raised the question of whether an applicant wanting to be licensed in California, is required to take the exam in California. Ms. Pearce stated the applicant may take the exam in any U.S. state or territory such as Guam, Puerto Rico, etc. Non resident aliens may not be licensed in California, unless they have a U.S. social security number. Ms. Bowers indicated Prometric could only administer the exam when authorized to do so by AICPA and NASBA, and they have not authorized the exam to be given outside the U.S. at this time.

Mr. Petersen raised the question of whether tax identification numbers are acceptable for licensure. Ms. Pearce indicated they are not acceptable.

Mr. Bermudez indicated individuals must apply to a state for qualification

to take the exam.

Mr. Petersen stated he recently spoke with the Philippine Accountants Association which is trying to get a mutual recognition agreement (MRA). The CBA sponsored them in 2003, to begin the MRA process. This was done by sponsoring to AICPA and NASBA for their consideration of the petition. It is understood the Philippine government is not interested in receiving mutual recognition.

X. Adoption of Minutes.

- A. Draft Minutes of the July 6, 2009 CBA Meeting.
- B. Draft Minutes of the July 23-24, 2009 CBA Meeting.
- C. Minutes of the July 23, 2009 CPC Meeting.
- D. Minutes of the July 23, 2009 LC Meeting.
- E. Minutes of the July 23, 2009 EPOC Meeting.

**It was moved by Mr. Bermudez, seconded by Mr. Swartz and unanimously carried by those present to approve the minutes of all five meetings as a group.**

XI. Other Business.

- A. American Institute of Certified Public Accountants.
  - 1. Update on AICPA State Board Committee.

Mr. Driftmier advised security continues to be an issue with the CPA Exam. Prometric has suggested mixing up the questions to prevent a security breach. Mr. Driftmier did call into the AICPA meeting held on September 24, 2009 to advise of his concerns. Agenda topics included mobility, administration of CPA exam internationally, and international reporting standards.

Mr. Petersen stated NASBA's Compliance Assurance Committee is awaiting action by the Governor in regard to Peer Review. Once the Governor signs the legislation, the Compliance Assurance Committee will be notified.

- B. National Association of State Boards of Accountancy.
  - 1. Update on NASBA Committees.
    - a. Uniform Accountancy Act Committee.

Mr. Driftmier stated he is scheduled to participate in a meeting via a telephone conference call next week.

b. Compliance Assurance Committee.

Mr. Petersen stated he is keeping the committee informed as to the status of AB 138.

c. Global Strategies Committee.

There was no report on this agenda item.

d. Ethics Committee.

There was no report on this agenda item.

e. Legislative Support Committee.

There was no report on this agenda item.

f. Education Committee.

There was no report on this agenda item.

g. Accountancy Licensee Database (ALD) Task Force.

Ms. Bowers reported that a request was made to add a CBA member to the ALD task force, due to state travel restrictions. NASBA initially denied the request, but has since approved it and added Ms. Anderson to the task force. Ms. Bowers participated in a two-day meeting in August 2009 via phone conference, and expressed the CBA's desire to see ALD go live to the public. There was no firm commitment made as to when it will go live, but the topic will be on the agenda for a future ALD meeting.

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

Mr. Rich stated the CBA perspective was developed by staff for consideration by the CBA members for communication to the Regional Director for presentation at NASBA's Board of Directors meeting. Item #3 "Does your board support the change and review standards proposed by the AICPA accounting and review services committee that would allow practitioners to do review engagements, when independence has been impaired due to performance of internal control services?" Based on conversations with Enforcement staff and Mr. Petersen, a response has been drafted indicating the CBA does not support allowing practitioners to perform review engagements when

independence has been impaired due to internal control services. AICPA released an exposure draft, issued April 28, 2009 which was brought to the CBA's attention previously. AICPA believes review services should be allowed. Enforcement staff feels there are concerns preventing us from agreeing with AICPA.  
**(See Attachment 8 )**

Mr. Petersen requested information about whether the CBA enforces all professional standards in a non-specific way, so that if a professional standard was adopted, it would be one that we would enforce.

**It was moved by Mr. Driftmier, seconded by Mr. Elkins and carried unanimously by those present to accept the response drafted by staff for submission on behalf of the CBA.**

Mr. Petersen read an excerpt from the May 2009 CBA minutes, where CBA members discussed not commenting on exposure drafts. **(See Attachment 9 )**. Mr. Petersen stated there may be an opportunity to respond if CBA members deem it appropriate, considering staff resources.

Mr. Petersen indicated there are seven public members who represent consumers with respect to protection in California. If those members have a concern, that concern should be passed on.

Mr. Petersen stated if the CBA would like to respond in a non technical capacity, this issue can be added as an agenda item to the November CBA meeting. No concerns noted.

Mr. Bermudez requested that the CBA conference and the proposed special meetings on Legislation to be included in the CBA year-at-a-glance calendar for 2010.

Ms. Bowers stated the November CBA meeting is the 18<sup>th</sup> and 19<sup>th</sup> in San Francisco at the Hilton Fisherman's Wharf. This information will also be updated on the CBA Web site.

XII. Roll Call and Call to Order.

President Petersen called the meeting to order on September 25, 2009.

XIII. Public Comments.

No comments were received.

XIV. 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. Thomas Roger Neal – Petition for Reinstatement of Revoked Certificate.

The Petition for Reinstatement of Revoked Certificate in the matter of Thomas Roger Neal was deferred.

B. Danny Wise – Default Decision.

The Default Decision in the matter of Danny Wise was adopted.

C. Kevin Tohyon Kim – Stipulated Settlement.

The Stipulated Settlement in the matter of Kevin Tohyon Kim was adopted.

D. David Deuk-Kwon Kim – Proposed Decision.

The Proposed Decision in the matter of David Deuk-Kwon Kim was adopted.

E. Biyu Wong – Stipulated Settlement.

The Stipulated Settlement in the matter of Biyu Wong was adopted.

F. Trudy Reed – Petition for Reconsideration of Default Decision.

The Petition for Reconsideration of Default Decision in the matter of Trudy Reed was adopted.

G. Kiyoshi Hatanaka – Default Decision.

The Default Decision in the matter of Kiyoshi Hatanaka was adopted.

XV. Pending Litigation [Closed Session Government Code Section 11126(e)(2)(A)]

A. Charlene Bell v. California Board of Accountancy, Los Angeles Superior Court, Case # BS119071.

The Board discussed the status of the pending lawsuit with its legal counsel. The Board received and considered additional documentation submitted by plaintiff that may not have been received or considered by the Board at its prior January 16, 2009 meeting. However, the Board reaffirmed its prior decision and denied Ms. Bell's appeal to the Board.

XVI. Report of the Enforcement Chief.

A. Report on Status of Enforcement Matters.

1. Activity and Status Report.

Mr. Newington reported that as of August 26, 2009, there were 171 open cases in the licensing category. Mr. Newington stated in terms of actions, there were three new accusations filed, ten cease and desist orders, four disciplinary actions. Mr. Newington stated that the volume of licensing complaints has increased, with 610 complaints in 2008-2009.

2. Major Case Summary

Mr. Newington reported that there are three open matters in the major case category.

3. Report on Citations and Fines.

Mr. Newington reported that as of August 26, 2009, four fines had been issued for \$10,000. Mr. Newington stated that "practice w/o a permit" is the largest fine.

4. Reportable Events Report.

Mr. Newington reported that as of August 27, 2009 twelve reportable events had been received; six of those reportable events are restatements with the majority related to publicly traded companies.

B. Discussion of State Accountancy Board Disciplinary Actions/Case Aging.

This agenda item was deferred for further consideration at a future meeting.

C. Consideration of Proposed Revision to Disciplinary Guidelines. Optional Condition of Probation – Prohibition from Accepting New Clients.

This agenda item was deferred for further consideration at a future meeting.

XVII. Closing Business.

A. CBA Member Comments.

Mr. Driftmier received a one-page email from Craig Mills of the AICPA indicating on January 1, 2011 the CPA Exam will be redesigned. IFERS

(International Financial Reporting Standards) will be in the exam as part of the questions.

Mr. Petersen advised NASBA is meeting in Phoenix, Arizona on November 1-4, 2009.

Ms. Chi thanked President Petersen and CBA staff for the way the agenda was put together.

Mr. Petersen also thanked Ms. Bowers and CBA staff for the agenda.

Ms. Bell thanked staff for the welcome process. She stated it was much appreciated.

B. Comments from California Society of Certified Public Accountants Representative.

Mr. Schultz congratulated Ms. Bell for her appointment to the CBA. He also thanked CBA for their support on SB 819.

C. Comments from Society of California Accountants Representative.

No comments were received.

D. Public Comments.

Mr. Olson provided a written statement (**See Attachment 10**)

Mr. Petersen responded there has been no effort by the CBA to hide information from the public. Information has been disclosed as appropriate. He further stated that complaints by Mr. Olson are given due process.

E. Agenda Items for Future CBA Meetings.

No agenda items were received.

Adjournment.

President Petersen adjourned the meeting at 10:00am on Friday, September 25, 2009.

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Robert A. Petersen, President

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Lenora Taylor, Secretary-Treasurer

Veronica Daniel, Executive Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.