



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



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

**MINUTES OF THE**  
**MAY 24-25, 2012**  
**CBA MEETING**

The Hilton Pasadena  
 168 South Los Robles Ave.  
 Pasadena, CA 91101  
 Telephone: (626) 577-1000  
 Facsimile: (626) 584-3148

Roll Call and Call to Order.

CBA President Marshal Oldman called the meeting to order at 12:31 p.m. on Thursday, May 24, 2012 at The Hilton Pasadena. The meeting recessed at 4:30 p.m. President Oldman reconvened the meeting at 9:00 a.m. on Friday, May 25, 2012, and the meeting adjourned at 10:10 a.m.

CBA Members

May 24, 2012

Marshal Oldman, President	12:31 p.m. to 4:30 p.m.
Leslie LaManna, Vice President	12:31 p.m. to 4:30 p.m.
Michael Savoy, Secretary-Treasurer	12:31 p.m. to 4:30 p.m.
Sarah (Sally) Anderson	12:35 p.m. to 4:30 p.m.
Diana Bell	12:33 p.m. to 4:30 p.m.
Alicia Berhow	12:31 p.m. to 4:30 p.m.
Michelle Brough	12:31 p.m. to 4:30 p.m.
Donald Driftmier	Absent
Herschel Elkins	12:31 p.m. to 4:30 p.m.
Laurence (Larry) Kaplan	12:31 p.m. to 4:30 p.m.
Louise Kirkbride	Absent
Kitak (K.T.) Leung	12:31 p.m. to 4:30 p.m.
Manuel Ramirez	12:31 p.m. to 4:30 p.m.
David Swartz	12:31 p.m. to 4:30 p.m.

CBA Members

May 25, 2012

Marshal Oldman, President	9:00 a.m. to 10:10 a.m.
Leslie LaManna, Vice President	9:00 a.m. to 10:10 a.m.

Michael Savoy, Secretary-Treasurer	9:00 a.m. to 10:10 a.m.
Sarah (Sally) Anderson	9:00 a.m. to 10:10 a.m.
Diana Bell	9:00 a.m. to 10:10 a.m.
Alicia Berhow	Absent
Michelle Brough	Absent
Donald Driftmier	Absent
Herschel Elkins	9:00 a.m. to 10:10 a.m.
Laurence (Larry) Kaplan	9:00 a.m. to 10:10 a.m.
Louise Kirkbride	Absent
Kitak (K.T.) Leung	9:00 a.m. to 10:10 a.m.
Manuel Ramirez	9:03 a.m. to 10:10 a.m.
David Swartz	9:00 a.m. to 10:10 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer  
 Rich Andres, Information Technology Staff  
 Veronica Daniel, Licensing Manager  
 Paul Fisher, Supervising Investigative CPA  
 Dominic Franzella, Chief, Licensing Division  
 Rafael Ixta, Chief, Enforcement Division  
 Nick Ng, Administration Manager  
 Kari O'Connor, Board Relations Analyst  
 Deanne Pearce, Assistant Executive Officer  
 Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)  
 Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)  
 Matthew Stanley, Legislation/Regulation Analyst

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)  
 Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)  
 Sherry McCoy, Member, PROC  
 James Rider, Vice Chair, EAC  
 Seid Sadat, Member, PROC

Other Participants

Pilar Onate-Quintana, KP Public Affairs  
 Ric Rosario, President and CEO, CAMICO  
 Jonathan Ross, KP Public Affairs  
 Hal Schultz, California Society of CPAs (CalCPA)  
 Jeannie Tindel, CalCPA

- I. Report of the President
  - A. Probation Monitoring Overview

Mr. Fisher provided an overview of this item.

Ms. Anderson inquired how effective probation is and if there are enough resources to follow up with licensees currently on probation.

Mr. Fisher stated that typically the person on probation is trying to correct his/her actions and it is rare to have to take further actions.

Mr. Ramirez inquired at what time does CBA enforcement staff determine that a practice investigation is appropriate.

Mr. Fisher stated that all probation cases are evaluated on a case-by-case basis with their assigned probation monitor. A practice investigation is appropriate when the licensee has practice activity issues rather than simply administrative issues.

Mr. Kaplan inquired about the methods enforcement staff uses to contact and stay in touch with probationers.

Mr. Fisher stated that a licensee on probation will attend a face-to-face meeting with his/her probation monitor, complete quarterly probation reports and have contact with their assigned CBA probation monitor as necessary.

Ms. Bowers further stated that during the course of probation there is minimum level of interaction required; however, if circumstances warrant, there may be additional practice investigations or face-to-face meetings.

## II. Report of the Vice President.

### A. Recommendations for Appointment(s) to the Enforcement Advisory Committee (EAC).

**It was moved by Ms. LaManna, seconded by Mr. Swartz and unanimously carried by those present to appoint Joseph Rosenbaum to the EAC.**

### B. Recommendations for Appointment(s) to the Qualifications Committee (QC).

There was no report for this item.

### C. Recommendations for Appointments/Reappointments to the Peer Review Oversight Committee (PROC).

Mr. Ramirez inquired if there is a limit on how many years a person may

serve as chair of the PROC. For succession planning, Mr. Ramirez recommended that Ms. Corrigan serve as chair for one more year while mentoring another PROC member to serve as chair.

Ms. LaManna stated that due to the critical issues that the PROC are currently undertaking, four years does not seem too long for Ms. Corrigan to serve as PROC chair.

Mr. Oldman suggested that Ms. Corrigan appoint a vice chair to the PROC.

Mr. Swartz commented that Ms. Corrigan serves as an excellent chair to the PROC.

**It was moved by Ms. LaManna, seconded by Mr. Swartz and unanimously carried by those present to reappoint Ms. Corrigan as chair to the PROC and suggest that Ms. Corrigan appoint a Vice Chair to the PROC.**

**It was moved by Ms. LaManna, seconded by Mr. Swartz and unanimously carried by those present to reappoint the PROC members to one year terms.**

Ms. Bowers commented that these reappointments will be revisited at the November 2012 CBA meeting.

### III. Report of the Secretary/Treasurer

#### A. Discussion of Governor's Budget.

#### B. Fiscal Year 2011-2012 Mid-Year Financial Statement.

Mr. Savoy provided an overview of this item (See Attachment\_\_)

Ms. Anderson inquired if there is any way the CBA loan to the General Fund can be repaid if a dire situation occurs.

Ms. Shellans stated that one board has received repayment of its loan to the General Fund, because it proved they were near bankruptcy.

Mr. Swartz inquired how lead much time is necessary to trigger a request for repayment of the loan to the General Fund be re-evaluated.

Ms. Bowers commented that there are no specific guidelines, and an argument for the repayment would need to be put together and submitted to the Department of Finance.

Mr. Ramirez inquired if there is any latitude to decrease examination fees by 20-40 percent. Mr. Ramirez requested that this be researched for discussion at the November CBA meeting.

Ms. Brough agreed with Mr. Ramirez and suggested that when considering reducing examination fees, the CBA take into consideration the high unemployment rate and current status of the economy.

Mr. Oldman requested that an agenda item be added to the July 2012 Secretary/Treasurer's Report to discuss the appropriate CBA committee to task with evaluating examination costs and fees.

#### IV. Report of the Executive Officer (EO)

##### A. Update on Staffing.

Ms. Bowers stated that the CBA is almost fully staffed.

##### B. Update on CBA 2010-2012 Communications and Outreach Plan (Written Report Only).

No comments were received on this item.

##### C. Discussion and Possible Action to Amend Business and Professions Code Sections 5063(b)(2) and 5063.2 – Civil Action Settlements or Arbitration Awards

Mr. Stanley provided an overview of this item (See Attachment \_\_\_).

There was no action on this item.

#### V. Report of the Licensing Chief.

##### A. Report on Licensing Division.

Mr. Franzella provided an overview of this item (See Attachment\_\_\_).

##### B. Report on Activities Related to the New Educational Requirements for CPA Licensure Set to Take Effect January 1, 2014.

Ms. Daniel provided an overview of this item. Ms. Daniel noted that the rulemaking package for the Accounting Study regulations is currently being review by DCA and staff anticipates that the Office of Administrative Law will render a final decision on the rulemaking file by September 2012. Ms. Daniel stated that efforts to communicate information regarding the new educational requirements to all affected stakeholders is ongoing and the CBA website has been updated with

new information. Ms. Daniel further stated that staff joined CalCPA and presented information about the new educational requirements via a webinar in April.

C. Presentation on the New Educational Requirement for CPA Licensure Set to Take Effect January 1, 2014.

Mr. Franzella provided a PowerPoint presentation on this item (See Attachment \_\_\_).

Ms. Anderson inquired how CBA staff are notifying students who have attended college outside of California, about the new educational requirements for CPA licensure.

Mr. Franzella stated that as part of the joint Ethics Curriculum Committee (ECC) and Accounting Education Committee (AEC) joint meeting last year, an email was sent to all state accountancy board executive officers about the new educational requirements. Mr. Franzella also stated that staff have notified NASBA and the American Accounting Association about the new educational requirements. Mr. Franzella further stated that the CBA has held several open house events and ECC members have reported back to advisors with the new educational requirements.

Mr. Ramirez asked if staff can review an institution's curriculum to determine if it meets the new educational requirements.

Mr. Franzella stated that an internal taskforce of CBA staff will be established to evaluate outreach options. Mr. Franzella further stated CBA staff are working to get additional information to universities.

Ms. Tindel commented that CalCPA has conducted outreach to exam review course providers and firms. Schools in California are preparing their own matrices about how to become qualified for CPA licensure. The outreach is occurring, and Mr. Franzella has done a great job.

VI. Report of the Enforcement Chief.

A. Enforcement Case Activity and Aging Report.

Mr. Ixta provided an overview of this item (See Attachment\_\_\_).

B. Citation and Fine Report.

Mr. Ixta reported that failure to respond to the CBA and continuing education violations make up a majority of the citations and fines.

C. Reportable Events Report.

Mr. Ixta reported that there have been 25 more reportable events from the last CBA meeting, with a majority of these events being restatements.

D. Update on Peer Review Implementation.

Mr. Ixta reported that 401 licensees have appealed peer review citations. Additionally, he noted that in the coming months the Peer Review Unit will issue notification letters to the third round of licensee who have a reporting date of July 1, 2013, citations for the first group of licensees required to report peer review, and issue deficiency letters to the second group of licensees required to report peer review.

Mr. Ramirez suggested that as part of the verification procedures, staff request a copy of billing documents from the last year, to determine if a firm is performing accounting and auditing work and reporting correctly on the peer review reporting form.

Ms. Elkins asked what the most common reason for a licensee to appeal a peer review citation.

Mr. Ixta stated that the most common reason for appeal is that a licensee was not aware he/she was required to report because the licensee is not practicing and did not believe he/she were subject to peer review.

VII. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decisions, Proposed Decisions, and Petitions for Reinstatement).

VIII. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC)(Diana Bell, Chair).

1. Report of the May 24, 2012 EPOC Meeting.

There were no comments on this item.

2. Discussion on Possible Changes to the Role of EPOC.

**It was moved by Ms. Bell, seconded by Mr. Elkins and unanimously carried by those present that the proposed changes to the Role of EPOC be adopted.**

3. Discussion on Possible Changes to the Role of the EAC.

**It was moved by Ms. Bell, seconded by Ms. Anderson and unanimously carried by those present that the proposed changes to the role of the EAC be adopted.**

Ms. Bell noted that future EPOC agenda items will include establishing guidelines for auditing a closed and finished case and to define the responsibilities of the CBA member liaison to EPOC.

B. Legislative Committee (LC) (Sally Anderson, Chair).

1. Report of the May 24, 2012.

There were no comments received on this item.

2. Update on Bills on Which the CBA Has Taken a Position (AB 1504, AB 1537, AB 1588, AB 1810, AB 1904, AB 1914, AB 1982, AB 2022, AB 2041, AB 2570, SB 103, SB 975, SB 1099, SB 1165, and SB 1576).

**It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to maintain the current positions on AB 1537, AB 1588, AB 1904, AB 1982, AB 2022, AB 2041, AB 2570 and SB 103.**

**It was moved by Ms. Anderson, seconded by Ms. Bell and unanimously carried by those present that the CBA discontinue following AB 1504, AB 1810 and SB 1165.**

AB 1914 – Agency Report.

**It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to maintain its current Oppose position on AB 1914.**

AB 975 – Regulatory Authority.

**It was moved by Ms. Anderson, seconded by Mr. Elkins and unanimously carried by those present that the CBA maintain its current Watch position on SB 975.**

SB 1099 – Regulations: Effective Date.

**It was moved by Ms. Anderson, seconded by Mr. Swartz and unanimously carried by those present that the CBA maintain its current Oppose position on SB 1099.**

SB 1576 – Omnibus Bill.

**It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present that the CBA maintain its current Support position on SB 1576.**

3. AB 1345 – Local Government Audits.

Ms. Anderson stated that the LC propose including the following amendments in AB 1345:

- Only the lead audit partner should be subject to mandatory rotation, allowing the technical audit partner to remain for continuity benefiting the local agency.
- Require a two year “cooling off” period similar to the SEC rules, which prohibit the lead audit partner from resuming work with the local agency for two years.
- Add a payroll schedule to the audit requirements, prepared by the local agency for the auditor as part of the audit, including all compensation for elected officials and designated employees paid from local agency sources.
- Clarify the author’s intent that the first partner rotation occur in the 2018-19 fiscal year (FY).

Mr. Ramirez inquired if the CBA should include that the partners cannot rotate back and forth.

**It was moved by Ms. Anderson, seconded by Ms. Bell and carried by those present that the CBA take a Support if Amended position on AB 1345, and that the four amendments suggested by the LC be incorporated into the bill. Mr. Elkins abstained.**

4. Consideration of Positions on Legislation.

AB 1409 – Regulations: Small Businesses.

**It was moved by Ms. Anderson, seconded by Mr. Elkins and unanimously carried by those present that the CBA take a Watch position on AB 1409.**

SB 1327 – State Government: Internet Website.

**It was moved by Ms. Anderson, seconded by Ms. LaManna and unanimously carried by those present that the CBA take a Watch position on AB 1327 that changes to an Oppose position if the bill passes the Senate Appropriations Committee without the amendment to exclude occupational licensing.**

SB 1405 – Accountancy: Military Service: Inactive Status

Ms. LaManna inquired if a military inactive status licensee will be required to complete continuing education (CE) retroactively to return to active status.

Ms. Pearce stated that a licensee would need to meet the current CE requirements.

**It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present that the CBA take a Support position on SB 1405.**

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

No legislation impacting the CBA was identified by staff after the posting of the meeting notice.

C. Committee on Professional Conduct (CPC) (Michael Savoy, Chair).

1. Report of the May 24, 2012 CPC Meeting.

There were no comments received on this item.

2. Discussion on Initiating a Rulemaking to Amend Title 16, California Code of Regulations Sections 80, 80.1, 80.2, 81, 87, 87.1, 87.8, 87.9, 88, 88.1, 88.2 and 89.

**It was moved by Mr. Savoy, seconded by Mr. Swartz and unanimously carried by those present to approve the draft regulatory language with an amendment to delete the requirement for a 90% passing rate for ethics CE courses.**

3. Discussion Regarding the CBA's Requirements for Maintaining Adequate Security Claims Against an Accountancy Corporation (CBA Regulation 75.8).

Ric Rosario, President and CEO of CAMICO, presented information on CAMICO insurance claims. Mr. Rosario stated that the average claim is \$100,000. CAMICO believes the current level of insurance required seems sufficient. Mr. Rosario further stated that there have been very few instances where insurance has not been adequate; therefore, the current limits are sufficient to protect consumers.

**It was moved by Mr. Savoy, seconded by Mr. Ramirez and**

**unanimously carried by those present that the CBA retain the existing language and maintain the current level of insurance required.**

D. Strategic Planning Committee (SPC) (Manuel Ramirez, Chair).

There was no report for this item.

E. Enforcement Advisory Committee (EAC) (Cheryl Gerhardt, Chair).

Report of the May 3, 2012 EAC Meeting.

Mr. Rider provided the report for this item. Mr. Rider stated that eight investigative hearings were conducted at the May 3, 2012 EAC Meeting. Of the eight cases heard, six cases were referred to the Attorney General, one case was assigned additional CE, and one case was recommended for additional investigation. Mr. Rider stated that 16 closed cases were reviewed and the EAC agreed with closure on all of the closed cases. Mr. Rider noted that the next EAC meeting is in July 2012.

F. Qualifications Committee (QC) (Fausto Hinosa, Chair).

Report of the April 25, 2012 QC Meeting.

Ms. Daniel provided the report for this item.

Ms. Daniel stated that the QC made final recommendations for changes to the letters and instructions sent to the employers and applicants when scheduling Section 69 reviews and personal appearances. Ms. Daniel further stated that Mr. Franzella provided a PowerPoint presentation to the QC members outlining the new educational requirements for CPA licensure that will become effective January 1, 2014.

Mr. Swartz inquired how candidates are selected to appear before the QC.

Ms. Pearce stated that foreign applicants and are required to appear and other candidates are chosen on a case-by-case basis.

G. Peer Review Oversight Committee (PROC)

Report of the April 20, 2012 PROC Meeting.

Ms. Corrigan reported that the PROC discussed its participation in the two CalCPA Report Acceptance Body meetings. Ms Corrigan stated that CBA staff provided the status of licensees reporting peer review and the

PROC discussed correspondence planned to be sent to licensees as a part of the three-year phase in period. Ms. Corrigan stated that the PROC discussed future articles planned for UPDATE.

Ms. Corrigan further stated that the PROC discussed the National Peer Review Committee (NPRC) and had a presentation from Jim Brackens, with the peer review program from AICPA. Ms. Corrigan noted that the PROC has deferred its conclusions about the degree of oversight needed by the PROC, to give further consideration regarding NASBA's Compliance Assurance Committee. Ms. Corrigan further stated the next PROC meeting is June 15, and that future PROC agenda items include:

- National Peer Review Committee process – NASBA presentation – June 15, 2012.
- Review of responsibilities and follow-up to the CBA regarding guidelines issued in early 2008.
- Review of change of firms' registration and how this impacts their peer review.

**It was moved by Mr. Ramirez, seconded by Mr. Kaplan and unanimously carried by those present to accept the EPOC, LC, CPC, QC, EAC, and PROC committee reports.**

IX. Acceptance of Minutes.

- A. Draft Minutes of the March 22-23, 2012 CBA Meeting.
- B. Draft Minutes of the March 22, 2012 CBA Open House.
- C. Minutes of the March 22, 2012 EPOC Meeting.
- D. Minutes of the March 22, 2012 LC Meeting.
- E. Minutes of the March 23, 2012 CPC Meeting.
- F. Minutes of the January 25, 2012 QC Meeting.
- G. Minutes of the February 2, 2012 EAC Meeting.
- H. Minutes of the February 10, 2012 PROC Meeting.

**It was moved by Mr. Ramirez, seconded by Mr. Elkins and unanimously carried by those present to accept agenda items XI.A-H.**

X. Other Business.

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

There was no report for this item.

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

1. Nominations for NASBA 2012 Awards.

There was no action taken on this item.

2. Update of NASBA Committees.

a. Accountancy Licensee Database (ALD) Task Force.

There was no report for this item.

b. Board Relevance & Effectiveness Committee.

There was no report for this item.

c. Education Committee.

There was no report on for this item.

d. Uniform Accountancy Act Committee (UAA).

There was no report for this item.

XI. Closing Business

A. Public Comments.\*

No public comments were received.

B. Agenda Items for Future CBA Meetings.

Mr. Ramirez requested that the CBA discuss if the electronic delivery of the UPDATE publication is sufficiently meeting regulations.

Mr. Swartz requested that the CBA be provided with an update on mobility.

C. Press Release Focus

Ms. Pearce stated the topic of focus for a post-meeting press release is the EAC and PROC appointments and reappointments.

Adjournment.

- XII. President Oldman adjourned the meeting at 10:10 a.m. on Friday, May 25, 2012.

\_\_\_\_\_ Marshal A. Oldman, Esq., President

\_\_\_\_\_ Michael M. Savoy, CPA,  
Secretary-Treasurer

Kari O'Connor, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.