



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

**MINUTES OF THE**  
**November 20-21, 2014**  
**CBA MEETING**

Hilton Pasadena  
 168 South Los Robles Avenue  
 Pasadena, CA 91101  
 Telephone: (626) 577-1000  
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Roll Call and Call to Order.

CBA President Michael Savoy called the meeting to order at 11:30 a.m. on Thursday, November 20, 2014 at the Hilton Pasadena. The meeting convened into closed session at 2:38 p.m. The open meeting reconvened from 3:17 p.m. to 4:39 p.m. followed by closed session until 5:12 p.m. President Savoy reconvened closed session on November 21, 2014 at 9:00 a.m. and adjourned the meeting at 10:35 a.m.

CBA Members

November 20, 2014

Michael Savoy, President	11:30 a.m. to 5:12 p.m.
Jose Campos, Vice President	11:30 a.m. to 5:12 p.m.
Katrina Salazar, Secretary-Treasurer	11:30 a.m. to 5:12 p.m.
Sarah (Sally) Anderson	11:30 a.m. to 5:12 p.m.
Diana Bell	11:30 a.m. to 5:12 p.m.
Alicia Berhow	11:30 a.m. to 5:12 p.m.
Herschel Elkins	11:30 a.m. to 5:12 p.m.
Laurence (Larry) Kaplan	11:30 a.m. to 5:12 p.m.
Louise Kirkbride	11:30 a.m. to 5:12 p.m.
Kay Ko	11:30 a.m. to 5:12 p.m.
Leslie LaManna	11:30 a.m. to 5:12 p.m.
K.T. Leung	11:30 a.m. to 5:12 p.m.
Manuel Ramirez	11:30 a.m. to 5:12 p.m.
Mark Silverman	11:30 a.m. to 5:12 p.m.

CBA Members

November 21, 2014

Michael Savoy, President	9:00 a.m. to 10:35 a.m.
Jose Campos, Vice President	9:00 a.m. to 10:35 a.m.
Katrina Salazar, Secretary-Treasurer	9:00 a.m. to 10:35 a.m.
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Manuel Ramirez	9:00 a.m. to 10:35 a.m.
Mark Silverman	9:00 a.m. to 10:35 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Rich Andres, Information Technology Staff  
Paul Fisher, Enforcement Supervising ICPA  
Dominic Franzella, Chief, Licensing Division  
Rafael Ixta, Chief, Enforcement Division  
Vincent Johnston, Enforcement Manager  
Dorothy Osgood, Acting Supervising Investigative CPA  
Corey Riordan, Board Relations Analyst  
Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)  
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)  
Matthew Stanley, Examination and Practice Privilege Manager

Committee Chairs and Members

Maurice Eckley, Chair, Qualifications Committee (QC)  
Robert Lee, Chair, Peer Review Oversight Committee (PROC)

Other Participants

Jason Fox, California Society of Certified Public Accountants (CalCPA)  
Matthew Goldsby, Administrative Law Judge  
Edward Howard, Center for Public Interest Law (CPIL)  
Hee Yong Park, Petitioner  
Joseph Petito, The Accountants Coalition  
Pilar Oñate-Quintana, KP Public Affairs  
Jon Ross, KP Public Affairs  
Taylor Schick, Budget Officer, Department of Consumer Affairs  
Hal Schultz, CalCPA

I. Report of the President.

A. Report of the National Association of State Boards of Accountancy 107<sup>th</sup> Annual Meeting.

Mr. Savoy stated that he attended the National Association of State Boards of Accountancy (NASBA) 107<sup>th</sup> Annual Meeting and provided members with information regarding the annual meeting. Mr. Savoy thanked Governor Brown for approving his attendance at the meeting.

B. Discussion and Approval of the Peer Review Report to the Legislature.

Ms. Bowers provided an overview of the Peer Review Report. She noted that additional narrative was drafted that clarify actions taken by the board regarding self reporting.

**It was moved by Mr. Ramirez, seconded by Mr. Elkins, and unanimously carried by those present to approve the Peer Review Report to the Legislature with the additional language to replace the last paragraph on pages 8-9 and delegate authority to make any last minute changes to the Executive Officer.**

C. 2015 CBA Member Committee Interest Survey.

Ms. Riordan requested that the CBA members complete the committee member interest survey by December 5, 2014. She stated that the surveys will be used by the incoming CBA President to appoint members to the Committee on Professional Conduct (CPC), Enforcement Program Oversight Committee (EPOC), Legislative Committee (LC), Strategic Planning Committee (SPC), and the liaisons to the Qualifications Committee (QC) and the Enforcement Advisory Committee (EAC).

D. DCA Director's Report.

There was no report for this item.

II. Report of the Vice President.

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

**It was moved by Mr. Elkins, seconded by Mr. Silverman, and carried by those present to appoint Katherine Allanson to the EAC for a two-year term effective December 1, 2014. Mr. Ramirez abstained.**

**It was moved by Mr. Elkins, seconded by Mr. Ramirez, and unanimously carried by those present to reappoint Nancy Corrigan**

**to the EAC for a two-year term effective December 1, 2014.**

**It was moved by Mr. Leung, seconded by Ms. Berhow, and unanimously carried by those present to appoint Jeffrey De Lyser as Chair of the EAC effective December 1, 2014 until December 31, 2015.**

**It was moved by Mr. Elkins, seconded by Ms. Bell, and unanimously carried by those present to appoint Joseph Rosenbaum as Vice-Chair of the EAC effective December 1, 2014 until December 31, 2015.**

- B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee (QC).

**It was moved by Mr. Ramirez, seconded by Ms. Anderson, and unanimously carried by those present to appoint Robert Ruehl as Chair of the QC effective December 1, 2014 until December 31, 2015.**

**It was moved by Ms. Bell, seconded by Ms. LaManna, and unanimously carried by those present to appoint Joanna Bolsky as Vice-Chair of the QC effective December 1, 2014 until December 31, 2015.**

- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

**It was moved by Ms. Anderson, seconded by Ms. Berhow, and unanimously carried by those present to appoint Seid Sadat as Vice-Chair of the PROC effective January 1, 2015 until December 31, 2015.**

III. Report of the Secretary/Treasurer.

- A. Discussion of Governor's Budget.

Ms. Salazar stated that the Governor's Budget is currently set at \$13.4 million with anticipation of slight increases to the personal services budget.

- B. Fiscal Year 2014-2015 First Quarter Financial Statement.

Ms. Salazar provided an overview of the 2014-2015 First Quarter Financial Statement. She stated that the revenues collected for the first quarter was \$1.6 million, which is \$5 million less than the same period last year because of the fee reductions in license renewals, initial permit, examinations, and license applications and registration.

- C. Discussion on Title 16 California Code of Regulations Section 70,

Regarding Fees and the CBA Reserve.

Ms. Pearce provided an overview of the analysis of the fee levels and their impact on the Accountancy Fund Reserve (Reserve). She noted that the CBA's plan intended to reduce the Reserve to three months in Reserve (MIR) by the end of fiscal year (FY) 2015-2016. Mr. Pearce stated that to ensure the CBA's statutory mandate of consumer protection, staff are suggesting a six MIR level to maintain and provide the necessary resources in future years. She stated that four scenarios were prepared, two with a six MIR target and two with three MIR target.

Scenario # 1 would increase license renewal and initial permit fees to \$155, revert examination and licensing application/registration fees back to their pre-FY 2014-15 levels of \$100/\$50 and \$250/\$150 respectively and increase target MIR to six.

Scenario # 2 would increase license renewal and initial permit fees to \$185, maintain reduced examination and licensing application registration fees of \$50/\$25 and \$50/\$30 respectively, and increase target MIR to six.

Scenario # 3 would increase license renewal and initial permit fees to \$140, revert examination and licensing application/registration fees back to their pre-FY 2014-15 levels of \$100/\$50 and \$250/\$150 respectively, maintain a three MIR target, and gradually reduce the Reserve to targeted levels by the end of FY 2019-20.

Scenario # 4 would increase license renewal and initial permit fees to \$170, maintain reduced examination and licensing application registration fees of \$50/\$25 and \$50/\$30, maintain a three MIR target, and gradually reduce the Reserve to targeted levels by the end of FY 2019-20.

**It was moved by Mr. Ramirez, seconded by Ms. Anderson to approve Scenario #4.**

Mr. Ramirez inquired if Scenario #4 would be closest to the CBA's original goal of a three MIR. He stated that he would support the scenario as it would reduce the fees of those entering the profession and shift the costs to those that are currently working.

Ms. Berhow stated that she would like the fees to be consistent over a longer period of time.

Ms. Bell inquired why staff are recommending a six MIR rather than the original plan of a three MIR.

Ms. Bowers stated that the 6 MIR would be a conservative plan, as the loan repayment is not guaranteed. Additionally, it is difficult to anticipate

unknown costs.

Mr. Elkins stated that he supports Scenario #1 or #2, as he believed that the fees were not too much and that Scenario #4 was too dangerous.

Mr. Campos stated that because of the time it takes to complete the regulatory process there would not be enough time to increase fees if needed in the future.

Ms. Anderson stated that she would support Scenario #2, as it was only \$15 more than Scenario #4 for the license renewal and initial permit fees and would provide the CBA with a six MIR.

**After deliberation the motion failed with a vote of 3 members for and 11 members against Scenario #4.**

**It was moved by Mr. Ramirez, seconded by Ms. Anderson, and unanimously carried by those present to approve scenario #2.**

IV. Petition Hearings.

A. Hee Yong Park – Petition for Reinstatement of Surrendered Certificate.

The CBA heard Mr. Park's petition for reinstatement of his surrendered certificate.

V. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate on Disciplinary Matters (Petition for Reinstatement of Surrendered Certificate).

VI. Report of the Executive Officer (EO).

A. Update on the Relocation of the CBA's Office.

There was no report on this item.

B. Update of Staffing.

Ms. Bowers announced the CBA was currently recruiting for the Enforcement Chief position, Administration Manager, and Regulation Analyst positions. She noted that Dorothy Osgood was recently selected to serve in an acting Supervising Investigative CPA position. Additionally, Matthew Stanley has been promoted to Examination Manager, and Kathryn Kay has been selected to fill the Legislation Analyst position.

C. Presentation of CBA Annual Report for Fiscal Year 2013-2014.

Ms. Pearce provided an overview of the CBA Annual Report for Fiscal

Year 2013-2014.

D. Update on the CBA 2013-2015 Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

VII. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item.

Mr. Franzella congratulated Matthew Stanley on his recent promotion to Examination Manager.

Mr. Franzella stated that the initial license application processing timeframe was currently at 14 days, which was well below the 30 day requirement. Lastly, he noted that the top renewal deficiency continues to be due to the peer review reporting form.

VIII. Report of the Enforcement Chief.

A. Report on Enforcement Division Activity.

Mr. Ixta provided an overview of this item and introduced Ms. Osgood to the CBA. He stated that the Enforcement Division has received 945 complaints, assigned 646 and closed 297 cases. He stated the complaints was elevated and would remain at elevated levels due to the internal peer review reporting and fingerprinting. Mr. Ixta stated that 41 cases were referred to the Attorney General's Office (AG) resulting in 118 pending cases. He noted that 77 citations have been issued for FY 2014-2015. Lastly, Mr. Ixta thanked the CBA for their support during his career at the CBA.

IX. Report of the Enforcement Advisory Committee, Qualifications Committee and Peer Review Oversight Committee.

A. Enforcement Advisory Committee (EAC).

1. Report of the October 23, 2014 EAC Meeting.

Mr. Lee reported, on behalf of the EAC Chair, that the EAC reviewed 45 closed files and held eight investigative hearings.

B. Qualifications Committee (QC).

There was no report on this item.

C. Peer Review Oversight Committee (PROC).

There was no report on this item.

X. Committee Reports/Group Report.

A. Mobility Stakeholder Group (MSG).

1. Report of the November 20, 2014 MSG Meeting.
2. The MSG Decision Matrix – A Summary of Previous Decisions Made by the MSG (Written Report Only).

There were no comments on this item.

3. Practice Privilege – Information and Statistics for Licensing and Enforcement Division and Website Usage (Written Report Only).

Ms. Salazar reported that the MSG requested staff provide more detail regarding the technical issues that prevent New York from fully participating in CPAVerify, as well as a timetable for resolving these issues. She noted that staff will be working to educate other agencies that use CPAs, such as the State Controller's Office, about the mobility law. Lastly, Ms. Salazar stated that staff will inform the MSG of the broad nature of the customer service contacts that are received via phone and email in order to determine if there are issues that the MSG may be able to address.

4. Discussion Regarding Defining Stakeholders and Summary of Stakeholder Objectives Pursuant to Business and Professions Code Section 5096.21(e).

Ms. Salazar stated that the MSG is charged by law with ensuring that California's practice privilege law satisfies the objectives of stakeholders of the accounting profession, including consumers. She stated that staff provided the MSG with a list of the stakeholder objectives, which the MSG may revise or add to. Additionally, Ms. Salazar stated that the MSG chose to adopt the definition of stakeholders as follows:

- Stakeholders include consumers, licensees, applicants, and professional organizations and groups that have direct or indirect stake in the CBA because they can affect or be affected by the CBA's actions, objectives, and policies.

5. Discussion Regarding the Consumer Protection Provisions of Business and Professions Code Sections 5096 and 5096.1.

Ms. Salazar stated that staff provided an overview of the consumer protection provisions of the practice privilege law in Business and Professions Code sections 5096 and 5096.1. She noted that after the review the MSG agreed that the real test of whether the law protects consumers is in the implementation results. Lastly, she noted that the MSG will review the remainder of the mobility law at the next meeting.

6. Discussion Regarding the Mobility Stakeholder Group Annual Report.

Ms. Salazar reported that the MSG will review its first Annual Report to the CBA at the March 2015 meeting. She stated that the MSG directed staff to include the following topics:

- A message from the Chair
- Background on mobility
- The MSG's responsibilities
- A list of MSG members
- Legislative and regulatory changes that have already occurred in the mobility law
- Statistics
- A list of meetings and activities
- Future consideration for 2015

Ms. Salazar also noted that the MSG requested that staff include the ongoing activities of NASBA and determine whether it should be in a separate point or included with the other topics.

7. Discussion Regarding Proposed Agenda Items for the Next MSG Meeting.

Ms. Salazar reported that the following topics will be discussed at the next MSG meeting:

- A review of the remaining consumer protection provisions
- Review and approval of the Annual Report
- An update of statistics if they begin to deviate in a manner that warrants further consideration
- Review of the answers to the survey of other state boards of accountancy
- NASBA activities

**It was moved by Ms. Berhow, seconded by Ms. Anderson, and unanimously carried by those present to accept the Report of the MSG.**

B. Committee on Professional Conduct (CPC).

1. Report of the November 20, 2014 CPC Meeting.
2. Review of the CPA License Renewal Requirements, Including Continuing Education and Timeline of Recent Changes.

Mr. Campos reported that staff provided the CPC with a written overview of the license renewal requirement including continuing education (CE) and discussed a brief timeline of recent changes to CE. Mr. Campos stated that staff recommended no additional changes to the CE requirements to allow time for licensees to acclimate to the recent changes. He stated that the CPC inquired how California's requirement compared to other states. He noted that staff stated it varied from state to state; however, staff noted that the quantity of CE is fairly universal between the states. Mr. Campos stated that the CPC recommended that the CBA adopt the recommendation of staff and take no action at this time.

Mr. Ramirez stated that CE is overly prescribed, specifically audit and accounting, and he recommended it be reduced.

Ms. LaManna stated that the CBA may want to reevaluate the item after it is determined if individuals that simply prepare financial statements are subject to peer review.

**It was moved by Mr. Campos, seconded by Ms. Berhow, and unanimously carried by those present to accept the CPC's recommendation to make no additional changes to the CE requirement at this time.**

C. Enforcement Program Oversight Committee.

1. Report of the November 20, 2014 EPOC Meeting.
2. Consideration of Proposed Legislative Language to Allow the CBA to Restrict a License Outside of Probation.

Ms. Berhow reported that the EPOC discussed the consideration of proposed legislative language to allow the CBA to permanently prohibit a licensee from performing a certain type of service. She noted the CBA currently has the authority to enter into a stipulated settlement with a licensee which includes a condition that permanently restricts their practice. However, this authority is not extended to the Administrative Law Judge when they are preparing a proposed decision. Mr. Berhow stated that staff proposed an addition to the Accountancy Act in Business and Professions Code (BPC) section

5100.5 that would allow the CBA to permanently restrict or limit the practice of a licensee for unprofessional conduct. She stated that 5100.5(b) would allow the licensee to petition for a reduction of penalty or reinstatement of the privilege to engage in the restricted services. Ms. Berhow stated the EPOC recommends that the CBA approve the staff proposed language and direct staff to initiate the legislative process.

**It was moved by Ms. Berhow, seconded by Ms. Bell, and carried by those present to approve the language and direct staff to initiate the legislative process. Mr. Ramirez opposed the motion.**

D. Legislative Committee (LC).

1. Report of the November 20, 2014 LC Meeting.
2. Consideration of Legislative Proposal to Amend Business and Professions Code Section 5070.1 Regarding Retired Status.

Mr. Kaplan stated that the LC was provided with a brief history of the retired status. He stated staff examined BPC section 5070.1 governing retired status and section 5070.7 governing cancelled licenses and determined that while a cancelled license could clearly be placed in a retired status, section 5070.7 prohibits the CBA from restoring such a license to active status. Mr. Kaplan stated that the LC determined that clarity could be added to the proposed language, possibly by cross-referencing section 5070.7, if the proposal referenced that a person holding a cancelled license in a retired status would need to reapply for and obtain a new license, should s/he decide to practice again.

**It was moved by Mr. Kaplan, seconded by Mr. Ramirez, and unanimously carried by those present to accept the LC's recommendation to approve the proposed language, provide staff with the flexibility to craft additional language to provide clarity, possibly cross-referencing section 5070.7, and direct staff to move forward with the legislative process**

E. Strategic Planning Committee (SPC).

1. Report of the November 20, 2014 SPC Meeting.
2. Update on the Progress of the 2013-2015 Strategic Plan Goals and Objectives.

Ms. LaManna reported that the SPC heard an update on the progress of the 2013-2015 Strategic Plan Goals and Objectives. She noted the plan has seven goals and 28 objectives, of which some have been completed and others are ongoing or in-progress. Lastly,

Ms. LaManna stated that the SPC will update the plan in 2015.

XI. Acceptance of Minutes.

- A. Draft Minutes of the July 24, 2014 CBA Meeting.
- B. Draft Minutes of the September 18-19, 2014 CBA Meeting.
- C. Draft Minutes of the July 24, 2014 Joint CBA & MSG Meeting.
- D. Minutes of the July 23, 2014 MSG Meeting.
- E. Minutes of the September 18, 2014 CPC Meeting.
- F. Minutes of the May 29, 2014 EPOC Meeting.
- G. Minutes of the July 24, 2014 LC Meeting.
- H. Minutes of the July 10, 2014 EAC Meeting.

**It was moved by Mr. Ramirez, seconded by Ms. Bell, and unanimously carried by those present to approve agenda items XI.A. – XI.H.**

XII. Other Business.

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

There was no report on this item.

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

- 1. Update on NASBA Committees.

- a. Accountancy Licensee Database Task Force.

There was no report on this item.

- 2. Proposed Responses to NASBA Focus Questions.

Mr. Savoy stated that Mr. Aubrey will no longer serve as the Pacific Regional Director.

XIII. Officer Elections.

- A. Secretary-Treasurer.

**The CBA unanimously voted to elect Ms. Berhow for the position of Secretary-Treasurer of the CBA.**

B. Vice-President.

**The CBA unanimously voted to elect Ms. Salazar for the position of Vice-President of the CBA.**

C. President.

**The CBA unanimously voted to elect Mr. Campos for the position of President of the CBA.**

XIV. Closing Business.

A. Public Comments.

Mr. Schultz stated that CalCPA would like to recognize Mr. Ixta, Ms. Bell, and Mr. Savoy for their service and leadership and congratulated the newly appointed CBA Leadership.

B. Agenda Items for Future CBA Meetings.

Mr. Kaplan requested that staff report on the CBA's practice on enforcement actions regarding cultural diversity.

Ms. Bowers requested that the CBA determine if they would like an update regarding BreEZe, as DCA has notified staff that the contract with the current vendor for BreEZe will be ending.

Mr. Campos requested an update on the CBA member vacancy status.

C. Press Release Focus.

Ms. Pearce stated the topic of consideration was CBA officer elections.

XV. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Decision after Non-Adoption).

XVI. Closed Session. Pursuant to Government Code Section 11126(e), the CBA Met In Closed Session to Receive Advice from Counsel on Litigation (*David Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2014-00751855-CU-BT-CJC*).

President Savoy adjourned the meeting at 10:35 a.m. on Friday, November 21, 2014.

\_\_\_\_\_ Jose A. Campos, CPA, President

\_\_\_\_\_ Alicia Berhow, Secretary-Treasurer

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