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PRESIDENT'S MESSAGE



Leslie J. LaManna, CPA
President

I am honored to serve as President of the CBA along with Vice-President Michael Savoy, CPA, Secretary-Treasurer K.T. Leung, CPA, and all of the CBA members in what promises to be a busy and full year ahead. I would also like to thank Marshal Oldman, our immediate past president, for his leadership of the CBA.

I have been a CPA for 18 years and have served on the CBA previously as Vice President and Secretary/Treasurer. During my tenure at the CBA, I have been impressed at how

devoted CPAs are to our profession. As an example, many CPAs volunteer their time and expertise to participate on CBA committees. They review discipline files, CPA candidate applications for licensure, and assist the CBA with peer review. They are invested in making certain consumers are protected and strive to ensure the integrity of the profession is maintained both now and for future CPAs. The CPA designation and integrity go hand-in-hand.

The CBA's mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. I believe strong consumer protection also strengthens our profession. When our Enforcement Division is able to resolve complaints or bring licensees into compliance swiftly and efficiently, consumer confidence in the regulatory process is enhanced. Similarly, when CPAs meet the competency requirements and are able to get their license renewals quickly processed, everybody wins. Consumers can be assured they are receiving services from qualified CPAs, and consumer trust in the accounting profession is reinforced. This requires an ongoing commitment to ensure the CBA is doing all it can do to assist applicants and licensees through the process, and as President, I am invested in carrying that commitment forward.

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New CBA Members

In December, Governor Edmund G. Brown Jr. announced new appointments to the CBA. Our new members are **JOSE A. CAMPOS, CPA**, of Glendale and **KATRINA SALAZAR, CPA**, of Sacramento.



MR. CAMPOS is currently a partner at Deloitte & Touche LLP, where he began his career in 1991. Mr. Campos is a member of the California Society of Certified Public Accountants, the American Institute of Certified Public Accountants, and the Association of Latino

Professionals in Finance and Accounting. He also serves on the Board of Advisors of the Robert Day School of Economics and Finance at Claremont McKenna College and as Diversity & Inclusion Leader for Deloitte's West Region Audit Practice.



MS. SALAZAR serves as chief financial officer at the Academic Senate for California Community Colleges and as an adjunct professor since 2007, and teaches accounting at both Cosumnes River and Sacramento City Colleges. Previously she was an

accountant for KL Salazar Company, senior audit manager at Reznick Group PC, a chief financial officer at the American Red Cross and a financial analyst with Sutter Health. Ms. Salazar held multiple positions at Time Warner Inc., including financial manager and financial analyst and was a staff and senior accountant at Reznick Group PC.

CBA MEMBERS

Leslie J. LaManna, CPA,
President

Michael M. Savoy, CPA,
Vice President

Kitak (K.T.) Leung, CPA,
Secretary/Treasurer

Sarah (Sally) Anderson, CPA

Diana L. Bell

Alicia Berhow

Michelle R. Brough, Esq.

Jose A. Campos, CPA

Herschel T. Elkins, Esq.

Laurence (Larry) Kaplan

Louise Kirkbride

Marshal A. Oldman, Esq.

Manuel Ramirez, CPA

Katrina Salazar, CPA

COMMITTEE CHAIRS

Enforcement Advisory Committee

Cheryl Gerhardt, CPA

Qualifications Committee

Maurice Eckley Jr., CPA

Peer Review Oversight Committee

Nancy J. Corrigan, CPA

CBA STAFF

Patti Bowers
Executive Officer

Deanne Pearce
Assistant Executive Officer

Rafael Ixta
Enforcement Chief

Dominic Franzella
Licensing Chief

Lauren Hersh
UPDATE Managing Editor

Terri Dobson
UPDATE Production

MESSAGE FROM THE EXECUTIVE OFFICER

There are big changes coming to the accounting profession in the near future, and you may have questions or need to reach a member of staff for assistance. I would like to direct your attention to a number of resources available to you that may help.

Of course, you are already accessing a key resource by reading this publication. UPDATE will continue to provide articles about the CBA's programs and activities and how they may affect you. Toward the back of UPDATE, you will find a directory of the CBA units. It lists each unit's area of expertise, telephone number, and email address. Using the contact information appropriate for your question or issue helps us to assist you more quickly. We do strive to answer all incoming calls live, but during peak periods you may get a voicemail. If so, please leave a message – we will make every effort to return your call within one business day.

Oftentimes questions can be answered by accessing the resources available on the CBA website. Our website is generally

organized by user – consumer information is on the left, information for licensees is in the center, and information geared to exam and licensure candidates is on the right. There are fact sheets and frequently asked questions arranged by topic, as well.

In addition to visiting our website, many of you have attended a CBA live Facebook event <https://www.facebook.com/CBAnews>, and had your questions answered about peer review or new educational requirements. Many are also following us on Twitter <https://twitter.com/CBANews>, where we share information that is of interest to consumers, licensees, and exam and licensure candidates. I am appreciative of the new technologies that allow CBA staff to connect with you and respond in ways that are helpful.

Let us know how we are doing. You can share your feedback through the Customer Satisfaction Survey at <https://www.cba.ca.gov/forms/survey>. If you prefer, you can write, call, post a comment or yes, even tweet.

PATTI BOWERS
Executive Officer

PRESIDENT'S MESSAGE CONTINUED FROM PAGE 1

Consumer protection also depends on making certain we communicate with our stakeholders about upcoming changes that may affect them. To that end, I would like to call your attention to several significant changes on the horizon.

First, there are new educational requirements for CPA licensure. While the new requirements are to take effect January 1, 2014, there is already important information available for students, faculty, and prospective employers. I would encourage you to check for updates on our website, sign-up for E-News, "like" us on Facebook, follow us on Twitter and of course, read UPDATE to stay informed of all the latest information on the new educational requirements.

Another change will affect those licensees who either have not been previously fingerprinted, or for whom no electronic record exists within the Department of Justice. Fingerprinting is an important aspect of the criminal background check that is a key element of consumer protection, and the CBA will be sending

notifications mid-year to all licensees who will need to submit fingerprints. Should you have questions, more information is available in this edition of UPDATE.

In January, we held regulation hearings to establish the rules needed to implement the new military inactive status on July 1, 2014. Licensees who are on active duty as a member of the California National Guard or the U.S. Armed Forces will be able to apply for a license in a military inactive status. This new status will exempt licensees from being subject to continuing education or peer review reporting requirements or paying the biennial renewal fee.

Last, we will miss two very involved members who retired from the CBA at the end of 2012. Don Driftmier, CPA, and David Swartz, CPA, served on numerous committees and as president of the CBA. Their contributions to the consumers of California, the accounting profession, and the CBA will be appreciated for years to come.

LESLIE J. LAMANNA, CPA
President, CBA

POLICY OF NONDISCRIMINATION ON THE BASIS OF DISABILITY AND EQUAL EMPLOYMENT OPPORTUNITY

The CBA does not discriminate on the basis of disability in employment or in the admission and access to its program and activities.

An Americans with Disabilities Act (ADA) coordinator has been designated to coordinate and carry out this agency's compliance with the nondiscrimination requirements of Title II of the ADA. Information concerning the provisions of the ADA, and the rights provided thereunder, is available from:

ADA Coordinator
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

UNDER THE DOME

Beginning January 1, 2013, AB 1588 (Atkins, Chapter 742, 2012) allows licensees to have the biennial license renewal fee and continuing education requirements waived if he or she is called to active duty as a member of the California National Guard or the United States Armed Forces. The individual's license is considered current, but he or she may not practice public accounting and may not provide services in private practice (public accounting services to the general public). If, however, the licensee is required by the military to provide public accounting services while on active duty, the license will be considered to be in a military active status.

For the 2013 legislative year, the CBA is pursuing two proposals to assist candidates for licensure as the transition to the new educational requirements becomes effective January 1, 2014. More information is available about these proposals in "New Educational Requirements" on page 13. You can also follow the progress of the proposals, as well as other legislation that the CBA may follow at http://www.dca.ca.gov/cba/laws_and_rules/pending_legislation.shtml. The CBA will update the website as new legislation is introduced.

Other legislation that the CBA may follow can be viewed on the CBA website at http://www.dca.ca.gov/cba/laws_and_rules/pending_legislation.shtml. The CBA will update the website as new legislation is introduced.

TAX DEBT CONSEQUENCES

Since July 1, 2012, the CBA has been required by law to deny the license application of any applicant and suspend the license of any licensee who appears on either the Franchise Tax Board (FTB) or Board of Equalization's (BOE) certified lists of top 500 tax delinquencies over \$100,000. Both the FTB and the BOE must publicly disclose these lists, which are now posted on their websites. The Department of Consumer Affairs also provides links to these lists on its website.

Once an applicant or licensee is on the certified list, he or she has 90 days from the time a preliminary suspension notice is issued to either satisfy all outstanding tax obligations or enter into a payment program with the FTB or BOE. Those who fail to

comply will have their application denied or license suspended until the CBA receives a release from the FTB or BOE. The form for requesting a release will be included with the preliminary suspension notice.

The law also prohibits the CBA from refunding any money paid for the issuance or renewal of a license which has been denied or suspended as required by law.

You can access the FTB's certified list at https://www.ftb.ca.gov/aboutFTB/Delinquent_Taxpayers.shtml and the BOE's certified list at www.boe.ca.gov/cgi-bin/deliq.cgi.

For more information, please call the FTB at (888) 426-8555 or the BOE at (916) 445-5167.



UPDATE

SPOTLIGHT ON COMMITTEES: Qualifications Committee

In the past two UPDATES, we provided important information regarding qualifying general accounting and attest work experience. Building on this, we would like to take the opportunity to spotlight the CBA Qualifications Committee (QC) and the important role it plays in the licensure process to become a CPA.

The QC acts as an advisory committee and assists the CBA in its licensure activities. All members are California-licensed with a wide background of experience in providing accounting and auditing services, which include compilation/review, government, not-for-profit, pension plan, and tax.

The primary focus of the QC is to perform advisory duties to the CBA by examining an applicant's experience and recommending applicants who fulfill the requirements for CPA licensure. The

QC will examine the qualifications of an applicant who personally appears before the committee by conducting an interview and reviewing the applicant's work papers.

Additional responsibilities of the QC include interviewing employers who signed an applicant's experience form, inquiring into the information provided on any certification of experience submitted to the CBA, and performing annual audits of licensure files.

The QC conducts its business at regularly scheduled one-day meetings held four times yearly, alternating between Northern and Southern California. For additional information on experience requirements, or any other requirement, please visit the CBA website at www.cba.ca.gov.

COMMITTEE MEMBERS:

MAURICE ECKLEY JR.,
CPA, CHAIR
KRIS MAPES, CPA,
VICE CHAIR
CARLOS AGUILA, CPA
JOANNA BOLSKY, CPA
GARY BONG, CPA

BRIAN CATES, CPA
LEWIS FISHER, CPA
MICHAEL HAAS, CPA
CHARLES HESTER, CPA
FAUSTO HINOJOSA, CPA

ALAN LEE, CPA
CASANDRA MOORE-HUDNALL,
CPA
ROBERT RUEHL, CPA
JEREMY SMITH, CPA
JAMES WOYCE, CPA

FUTURE MEETINGS:

- **APRIL 24, 2013**
QUALIFICATIONS COMMITTEE
NORTHERN CALIFORNIA
- **MAY 2, 2013**
ENFORCEMENT ADVISORY COMMITTEE
LOS ANGELES, CALIFORNIA
- **MAY 23-24, 2013**
CBA/COMMITTEE MEETINGS
SOUTHERN CALIFORNIA

CBA and committee meetings are open to the public. Consumers, licensees and all interested persons are encouraged to attend. As meeting locations become known, they will be posted on the CBA website at www.cba.ca.gov and will also be available by telephoning the CBA office at (916) 263-3680.

Public notices and agendas are posted to the website at least 10 days prior to meetings.

All CBA meetings are available to the public via live webcast at www.cba.ca.gov.

RETROACTIVE FINGERPRINTS...WHAT YOU NEED TO KNOW

Recently, Section 37.5 was added to the CBA Regulations requiring criminal background checks for all licensees who have not previously submitted fingerprints as a condition of licensure, or for whom no electronic record of the licensee's fingerprints exists within the Department of Justice's criminal offender record identification database. This background check is a condition of license renewal after December 31, 2013, and is important for the protection of consumers.

Recognizing that this change will affect a considerable number of licensees (especially those

licensed prior to 1998 when the original law took effect), we have recently posted a series of frequently asked questions to our website at www.cba.ca.gov. Midyear, we will be sending notifications to all licensees who will need to submit fingerprints for purposes of a criminal background check.

To stay current with all CBA activities, including updated information regarding the fingerprint requirement, follow us at <https://twitter.com/CBANews>, www.facebook.com/CBANews, or sign up at www.cba.ca.gov/forms/enews.

WHY CITATIONS ARE ISSUED

There are a number of reasons that may trigger the CBA to issue a citation to a licensee. Typically, citations are issued for violations of the Accountancy Act, or its Rules or Regulations that are administrative in nature and do not rise to the level requiring disciplinary action against a license. Examples of such violations include deficiencies in continuing education, practice of public accountancy with an unregistered firm name, or failure to respond to a CBA request for information.

What do you do if you have received a citation?

The first thing to do is read the citation in its entirety. The Citation Order specifically details the order of correction for compliance, the administrative fine amount to be paid, and the due date to comply with both the order of correction and payment of the fine.

In the event you wish to dispute a citation, the Citation Order must be appealed within 30 days of the date the citation was issued by filing the Notice of Appeal form included with the citation. Contact information to reach an enforcement representative is included in the citation should you have questions about the citation or the appeal process.

What are the consequences if a citation is not complied with or you do not file a timely appeal?

A citation is certainly not something to ignore. Failure to comply with or appeal the citation within the allotted time may result in the outstanding administrative fine being added to your license renewal fees. Without payment of both the outstanding administrative fine and renewal fees (and any applicable delinquent fees) your license will not be renewed.

An important note regarding citations: the CBA began posting final citations to its website in 2013. This action is mandated by Business and Professions Code, Section 27, which requires the CBA to provide information regarding the status of every license on the CBA website.

If you have any questions about citations, please contact an enforcement representative at (916) 561-1729.

YOUR PEER REVIEW MATTERS

You may be aware that peer review focuses on strengthening firms' quality control and can afford insights that encourage firms to improve their processes and correct shortcomings. But you may not have considered the value a peer review has to consumers. Peer review is part of the CBA's commitment to consumer protection by enhancing the quality of accounting services in California. In turn, the successful completion of a peer review also demonstrates to consumers that your firm has measured up to the standards of the profession. Why not share that information with your clients? Your peer review matters because:

- Peer review promotes quality. With ongoing changes to professional standards that are designed to deliver accuracy and quality of accounting and auditing engagements, products and services provided to consumers must meet specific standards. Peer review can better equip your firm to deliver high quality accounting and auditing services to consumers and helps in designing quality control systems to ensure that work products meet professional standards.
- Peer review promotes knowledge. A peer review provides firms an opportunity to learn

new or better ways to improve services so that your firm can provide up-to-date methods and practices to consumers. It provides an educational opportunity for firms to learn best-practice techniques. Peer review helps keep CPA firms knowledgeable.

- Peer review promotes trust. In an ever-changing financial climate, peer review gives consumers an extra measure of assurance by knowing the CPA firm they hire has successfully completed a peer review and meets the profession's standards.
- Peer review benefits everyone. Peer review provides firms an opportunity to improve client services and be competitive, enhances consumer protection for Californians, and builds trust in the quality and integrity of California's Certified Public Accountants.

In providing your peer review report to current and prospective clients, you are letting them know your firm takes seriously its responsibility to meet the high level of quality control established by the profession. For more information on peer review, visit the CBA website at <http://www.dca.ca.gov/cba/peerreview.shtml>.

A REMINDER...

With all of the advances in technology and communication, the CBA still uses the U.S. Postal Service as its primary method of communicating with licensees. Until such time as we are able to process transactions online, please take care to open all mail from the CBA and thoroughly read the documents sent to you. If you receive mail from the CBA, it's important!

STRATEGIC PLAN 2013-2015

In 2012, CBA members, management and staff joined to create a new strategic plan for the CBA. This action-oriented plan is focused on consumer protection, customer service, and ensuring the CBA is responsive to the needs of our many stakeholders. With direction from the CBA's Strategic Plan Committee and assistance from the Department of Consumer Affairs' Strategic Planning Unit, the CBA developed new goals and objectives in its new roadmap for success.

The 2013-2015 Strategic Plan identifies seven goals and 28 objectives developed to enable the CBA to meet its mandates identified in the Accountancy Act and CBA Regulations, as well as the policy directions of CBA Board members. The Strategic Plan is intended to be staged over a three-year period.

At the core of the strategic plan is the CBA's mission: "To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards."

In meeting its mandates and mission, the CBA also strives to deliver the highest standards of service to all stakeholders. The CBA's stakeholders include consumers, licensees, applicants, professional organizations, and groups that have a direct or indirect stake in the CBA.

In addition to our mission and our vision, "All consumers are well informed and receive quality accounting services from licensees they can trust," the CBA also articulates its core values within the 2013-2015 Strategic Plan. They are:

INTEGRITY

The CBA will act in an honest, ethical, and professional manner in all endeavors, and fully disclose all pertinent information.

QUALITY AND PROFESSIONALISM

The CBA will ensure that qualified, proficient, and skilled staff provide services to CBA stakeholders. The CBA will deliver high quality service, information, and products that reflect excellence and professionalism.

TRANSPARENCY

The CBA will actively promote the sharing of ideas and information throughout the organization and with the public, and be receptive to new ideas.

INITIATIVE

The CBA will encourage creatively looking at problems and processes and actively seek solutions and improvements.

RESPECT

The CBA will be responsive, considerate, and courteous to all, both within and outside the organization.

ACCOUNTABILITY

The CBA will take ownership and responsibility for its actions and their results.

TEAMWORK

The CBA will promote cooperation and trust at all levels by working with and soliciting the ideas and opinions of CBA stakeholders.

CONSUMER PROTECTION

The CBA will make effective and informed decisions in the best interest and for the safety of consumers.

To read the entire 2013-2015 Strategic Plan, please visit <http://www.dca.ca.gov/cba/publications/stratpln2013-2015.pdf>.



UPDATE

MAKE A DIFFERENCE

You take pride in your work and your profession. You have the technical skills, the interest and the commitment. Who better to serve on a CBA advisory committee?

Being a member of a CBA advisory committee provides you with an opportunity to actively participate in the regulation of the accountancy profession. You can become an integral part of an organization charged with providing consumer protection amidst changing consumer demographics and the evolving nature of the profession.

The CBA has three advisory committees: the Enforcement Advisory Committee (EAC), Qualifications Committee (QC), and Peer Review Oversight Committee (PROC).

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee offers technical guidance on open investigations, participates in investigative hearings, and reviews closed investigation files. This committee is limited by statute to a membership of 13 licensees and meets four to five times a year, generally for one-day meetings, alternating between a Northern and Southern California city.

The QC assists the CBA in its licensure activities by reviewing the experience of applicants for licensure and making recommendations to the CBA. This responsibility includes conducting work paper reviews with applicants or with employers present to verify that the responses provided are reflective of the requisite experience for licensure. This committee is limited to a membership of 16 licensees who have expertise in the preparation of audit and review reports. The QC meets four to five times a year, generally for one-day meetings, alternating between a Northern and Southern California city.

The PROC assists the CBA through its oversight of the peer review program and provides recommendations to ensure the effectiveness of mandatory peer review. This responsibility includes oversight of CBA-recognized peer review program providers to ensure that providers are administering peer reviews in accordance with the standards adopted by the CBA. Additionally, the PROC is responsible for the evaluation of organizations that apply to become CBA-recognized peer review program providers. Members also conduct site visits of providers and their peer review committees, review a sample of peer review reports, and represent the CBA at providers' peer review meetings.

Committee appointments are for two year terms; appointed individuals may serve a maximum of four terms. To qualify for possible appointment to a CBA advisory committee you must be actively licensed to practice public accounting for a minimum of two years prior to the appointment and, if appointed, must maintain an active license status during tenure on the committee. Additionally, you must have no pending enforcement actions against your license. You will also be reviewed for any results of QC work paper and continuing education reviews.

If you are interested in serving, please submit a letter of intent with a resume or curriculum vitae (CV), including your CPA license number to:

Patti Bowers, Executive Officer,
California Board of Accountancy
2000 Evergreen St., Suite 250
Sacramento, CA 95815

If you have any questions regarding appointments, please contact Patti Bowers at (916) 561-1711.

THE NEW PRACTICE PRIVILEGE

The CBA is pleased that the Legislature has passed and, in September 2012, Governor Edmund G. Brown Jr. signed Senate Bill 1405 (SB 1405), California's own version of inter-state mobility. These changes will go into effect on July 1, 2013. The following is a summary of its major provisions.

An individual whose principal place of business is not in the state, and who has a valid and current license to practice public accountancy in another state, may, subject to certain conditions, qualify to practice in California under a practice privilege. Most individuals will qualify because they are licensed in a state that has substantially equivalent licensing requirements to California; however, there are other qualification avenues for those who are not. This practice privilege can be exercised in California without providing notice to the CBA or paying a fee. However, if an individual will be performing certain attest functions, he or she will need to do so through a firm that is registered by the CBA.

Individuals exercising a practice privilege will be subject to the laws of California and jurisdiction of the CBA, and they may not provide public accountancy services in this state, except as an employee of a firm registered in this state. This limitation does not apply to public accountancy services provided to a client at the client's place of business or residence. Should an individual acquire certain disqualifying conditions while they are exercising a practice privilege, they must immediately cease practice and notify the CBA which, after

investigating, may grant permission to resume practice.

Individuals who acquired certain disqualifying conditions in the seven years prior to the date they wish to practice in California must notify the CBA prior to beginning practice in California. These individuals may only begin practicing in California with the permission of the CBA.

Just like a California license, a practice privilege may be revoked, suspended, or otherwise disciplined. In addition, a practice privilege may be administratively suspended pending an investigation by the CBA.

To ensure that the consumers of California are protected under this new program, the CBA is required to disclose on its website any public information in its possession about individuals exercising a practice privilege in California. In addition, it must also post means by which consumers can find current license status information on out-of-state licensees.

The CBA is still in the process of drafting the implementing regulations, but you can view the text of the new law on the CBA website. The CBA is also planning to post answers to frequently asked questions once more details of the new program are finalized. Continue to check the CBA website for more information. Until the new law goes into effect on July 1, 2013, all of the current practice privilege rules will continue to apply.

YOUR OPINION MATTERS

Let us know how we're doing! The CBA is committed to providing a high level of customer service to its clients. A fundamental element to ensuring this is the collection of feedback from individuals that contact the CBA. The CBA invites you to fill out the new and improved CBA Customer Service Survey available at https://www.cba.ca.gov/forms/csu_survey/csu_survey.html. **We look forward to hearing from you!**

ELECTRONIC RECORDS SHOULD BE PROVIDED TO CLIENTS

It would be rare to find a CPA who does not keep electronic records, given the widespread use of accounting and tax software. And yet, the CBA receives many inquiries as to whether a licensee is required to provide a client's records in an electronic format, if the client requests it. In a word, "yes." If a client requests records in an electronic format, and the licensee has access to records in that format, then the client's request should be honored.

There are several regulations which address the issue, either directly or by inference. Section 58 of the California Code of Regulations (CCR), Title 16, Division 1, requires all CBA licensees engaged in the practice of public accountancy to comply with all applicable professional standards. The American Institute of Certified Public Accountants' (AICPA) Professional Ethics Executive Committee revised Interpretation NO. 501-1, "Response to Request by Clients and Former Clients for Records," under Ethics Section 501, "Acts Discreditable," effective April 30, 2012 provides further guidance regarding a client's request for records. The revised guidance states,

"The member is not required to convert records that are not in electronic format to electronic format or to convert electronic records into a different type of electronic format. However, if the client requests records in a specific format and the records are available in such format within the member's custody and control, the client's request should be honored."

The California Accountancy Act (California Business and Professions Code, Chapter 1, Division 3) and the CCR provide rules regarding the retention of client records. These rules are found in Section 5037 of the Accountancy Act and Sections 68 and 68.1 of Title 16 of the CCR. You can access these code sections on the CBA's website at http://www.dca.ca.gov/cba/laws_and_rules/codes.shtml.

So, whether your client or former client requests a copy of the QuickBooks file or a backup of a tax file in an electronic format, as long as you have access to those records in an electronic format, you should honor his or her request.

BY THE NUMBERS A LOOK BACK AT 2012

7,301 First-time applicants approved to take the Uniform CPA Exam

3,510 Newly licensed CPAs

38,629 CPA licenses renewed

86,088 California-licensed CPAs*

1,426 California- licensed partnerships*

3,782 California-licensed corporations*

*as of 12/31/2012

NEW EDUCATIONAL REQUIREMENTS: JANUARY 1, 2014...LESS THAN A YEAR AWAY

With the effective date for the new educational requirements for licensure just around the corner, we would like to take this opportunity to update you on the latest activities.

The CBA recently designed the *Self-Assessment Worksheet for the CPA Licensure Educational Requirements* to assist future applicants in evaluating the education they have already completed to determine how it aligns with the new educational requirements. Complete with instructions and examples, this comprehensive tool is available on our website at www.cba.ca.gov.

Additionally, for the coming year, the CBA has elected to sponsor two legislative proposals meant to ease the transition to the new educational requirements. The first proposal would allow individuals who have passed the Uniform CPA Exam

by December 31, 2013, to apply for CPA licensure under the existing pathways. If this legislation is successful, this option will be allowed for a two-year period until December 31, 2015.

With more and more schools now offering five-year programs resulting in the dual conferral of bachelor's and master's degrees at the end of the program, the second proposal seeks to allow individuals enrolled in these programs to take the Uniform CPA Exam once they have completed all the bachelor's degree requirements. To qualify, students will need to have their respective schools confirm this status.

To obtain all the latest information regarding the upcoming new educational requirements, follow us at <https://twitter.com/CBANews>, www.facebook.com/CBANews, or sign up at www.cba.ca.gov/forms/news.

ENFORCEMENT PROCESS

When the CBA receives a complaint, an investigation is conducted. Information regarding a complaint generally is gathered by enforcement staff, often accompanied by a licensee's appearance before the CBA Enforcement Advisory Committee.

Following this investigation, a recommendation is made to either (1) close the case with no violation of the Accountancy Act or CBA Regulations; (2) require the licensee to take prescribed continuing education; (3) issue a citation and fine; or (4) refer the case to the Attorney General's Office for review and possible preparation of an accusation against the licensee or a statement of issues relating to the applicant.

If charges are filed against a licensee, a hearing may be held before an independent administrative law judge who submits a proposed decision for consideration

by the CBA, or the matter may be settled. The CBA may either accept the proposed decision or decide the matter itself. Please note that CBA actions reported here may not be final. After the effective date of the CBA's decision, the licensee may obtain judicial review of its decision. On occasion, a court will order a stay of the CBA's decision or return the decision to the CBA for reconsideration.

Copies of the accusations, decisions, and settlements regarding any of these disciplinary and/or enforcement actions are available on the CBA website or by sending a written request to: California Board of Accountancy, Attention: Disciplinary/Enforcement Actions, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832. Please provide the licensee's name and license number, and allow 10 days for each request.

STANDARD TERMS OF PROBATION

The CBA may revoke, suspend, or impose probation on a license for violation of applicable statutes or regulations. In addition to any case-specific terms of probation, the standard probationary terms include:

- Obey all federal, California, other state and local laws, including rules relating to the practice of public accountancy in California.
- Submit within 10 days of completion of the quarter, written reports to the CBA on a form obtained from the CBA. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the CBA or its representatives.
- During the period of probation, appear in person at interviews or meetings as directed by the CBA or its designated representative, provided such notification is accomplished in a timely manner.
- Comply with the terms and conditions of the probation imposed by the CBA, and cooperate fully with representatives of the CBA in its monitoring and investigation of the respondent's compliance with probation terms and conditions.
- Be subject to, and permit a "practice investigation" of the respondent's professional practice. Such "practice investigation" shall be conducted by representatives of the CBA, provided notification of such review is accomplished in a timely manner.
- Comply with all final orders resulting from citations issued by the CBA.
- In the event respondent should leave California to reside or practice outside this state, respondent must notify the CBA in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not

CONTINUED ON PAGE 15

STANDARD TERMS OF PROBATION CONTINUED FROM PAGE 17

apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the CBA costs, or make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice, except at the written direction of the CBA.

- If respondent violates probation in any respect, the CBA, after giving respondent notice and an opportunity to be heard, may revoke probation

and carry out the disciplinary and/or enforcement order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the CBA shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

- Upon successful completion of probation, respondent's license will be fully restored.

ENFORCEMENT DEFINITIONS

Accusation

A formal document that charges violation(s) of the California Accountancy Act and/or California Board of Accountancy Regulations by a licensee. The charges in the accusation are allegations. Allegations are not a final determination of wrongdoing and are subject to adjudication and final review by the CBA pursuant to the Administrative Procedure Act.

Cost Recovery

The licensee is ordered to pay the CBA certain costs of investigation and prosecution including, but not limited to, attorney's fees.

Default Decision

The licensee failed to file a Notice of Defense or has otherwise failed to request a hearing, object, or otherwise contest the accusation. The CBA takes action without a hearing based on the accusation and documentary evidence on file.

Effective Date

The date the disciplinary decision becomes operative.

Probation

The licensee may continue to engage in activities for which licensure is required, under specific terms and conditions.

Reinstatement

A revoked license that is restored, not sooner than one

year from the date of revocation, to a clear or inactive status after petition to and approval by the CBA. Reinstatement may include probation and/or terms and conditions.

Revocation

The individual, partnership, or corporation no longer is licensed as a result of a disciplinary action.

Stayed

The action does not immediately take place and may not take place if the licensee complies with other conditions (such as a probation term).

Stipulation

The matter is negotiated and settled without going to hearing.

Surrendered

The licensee has surrendered the license. The individual, partnership, or corporation no longer is licensed. The CBA, however, may impose discipline against a surrendered license in certain circumstances. Surrender also may require certain conditions be met should the former licensee ever choose to reapply for licensure.

Suspension

The licensee is prohibited for a specific period of time from engaging in activities for which licensure is required.

ENFORCEMENT ACTIONS

REVOCATION OF CPA CERTIFICATE THROUGH DECEMBER 26, 2012

BERGER, JAMES FRANCIS

Ladera Ranch, CA (CPA 25991)

CBA ACTIONS

Revocation of CPA license, via default decision.

Effective December 26, 2012

CAUSE FOR DISCIPLINE

Accusation No. AC-2012-45 contains the following allegations:

Mr. Berger's license as a Certified Public Accountant (CPA) expired on March 31, 2011, and was not renewed for five months until September 12, 2011. Although Mr. Berger's license was expired and was not valid, Mr. Berger submitted a tax return (Form 1040) on behalf of a client to the Internal Revenue Service (IRS) on May 21, 2011, holding himself out as a CPA.

Mr. Berger knowingly made a misrepresentation of a material fact on his 2011 CPA license renewal application. Specifically, Mr. Berger marked that he was renewing as an "active" licensee, and that he had completed the requisite number of Continuing Education (CE) hours. Mr. Berger indicated he attended a Regulatory Review and a fraud course from CE provider Financial Education Resources (FER); however, after contacting FER they indicated Mr. Berger did not attend the classes. After review of all submitted certificates of completion, Mr. Berger was found to be deficient two hours governmental auditing, six hours fraud, four hours ethics, and two hours regulatory review CE.

Mr. Berger also failed to respond to a CBA inquiry letter regarding completion of his CE requirements.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§ 5050(a), 5100(b) and (g). California Code of Regulations, Title 16, Division 1, §§ 52(a), 87, 87.8 and 89(k).

EVANS, DREW WESLEY

South Bend, IN (CPA 92055)

CBA ACTIONS

Revocation of CPA license, via default decision.

Effective October 27, 2012

CAUSE FOR DISCIPLINE

Accusation No. AC-2012-48 contains the following allegations:

Mr. Evans was convicted of a crime substantially related to the qualifications, functions and duties of a certified public accountant. On or about October 4, 2011, in a criminal proceeding entitled *People v. Drew Evans* in the Butte County Superior Court of California, Case Number CM035112, Mr. Evans was convicted by his plea of no contest to embezzlement in violation of Penal Code section 504, a felony, and being under the influence of methamphetamine, a controlled substance, in violation of Health and Safety Code Section 11550(a), a misdemeanor. The circumstances of Mr. Evans's crimes are that on or about September 6 and September 9, 2011, Mr. Evans, while an accountant for Acon Church, fraudulently appropriated money or other personal property of a value exceeding \$400.00. On or about September 9, 2011, Mr. Evans unlawfully used and was under the influence of a controlled substance, methamphetamine.

Mr. Evans failed to report his October 4, 2011 conviction to the CBA within 30 days after it was entered by his plea made that same date, as required by section 5063 of the Business and Professions Code.

Mr. Evans also failed to notify the CBA of a change of address within 30 days and he did not respond to CBA inquiries within 30 days.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§ 5100 (a), (g), (i), (k) and 5063. California Code of Regulations, Title 16, Division 1, §§ 3 and 52.

REVOCATION OF CPA CERTIFICATE THROUGH DECEMBER 26, 2012 (CONTINUED)**JENSEN, ERIC DANIELSON**

Woodland Hills, CA (CPA 47162)

CBA ACTIONS

Revocation of CPA license, via default decision.

Effective December 26, 2012

CAUSE FOR DISCIPLINE

Accusation No. AC-2013-4 contains the following allegations:

On or about March 2009, Mr. Jensen was retained by the daughter of M.S. to prepare the final tax return for M.S., who was recently deceased. Before April 15, 2009, the daughter of M.S. contacted Mr. Jensen regarding the status of the final return. After receiving various reasons for the delay in processing the return, the daughter of M.S. requested the tax documents be returned. When the daughter of M.S. was unsuccessful in obtaining the documents from Mr. Jensen, she enlisted the assistance of another Certified Public Accountant (CPA). The new CPA was unsuccessful in obtaining M.S.'s tax documents from Mr. Jensen until October of 2009. At that time, the new CPA discovered that Mr. Jensen had not filed an extension to file the tax return. As a result of the late filing of M.S.'s final 2008 individual income tax return, M.S. received tax notices with penalty and interest assessments of \$5,069.36 and \$524.30 respectively.

On or about March 30, 2010 the CBA sent Mr. Jensen an inquiry requesting documentation and information concerning M.S.'s tax return. Mr. Jensen did not respond. On or about July 14, 2010 the CBA issued a subpoena to Mr. Jensen for the production of tax materials relating to M.S.. Mr. Jensen did not respond to the subpoena.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§5037(b) and 5100(g). California Code of Regulations, Title 16, Division 1, §§ 52 (a), (b) and 68.

KIM, DAVID DEUK-KWON

Los Angeles, CA (CPA 56598)

CBA ACTIONS

Revocation of CPA license, via default decision.

Effective October 27, 2012

CAUSE FOR DISCIPLINE

Accusation and Petition to Revoke Probation No. D1-2008-19 contains the following allegations:

Mr. Kim is subject to disciplinary action, on the grounds of unprofessional conduct, in that Mr. Kim failed to respond to inquiries made by the CBA or its appointed representatives within 30 days of notices mailed on or about October 8, 2009, February 8, 2010, April 15, 2010, and April 19, 2011.

Mr. Kim is subject to disciplinary action in that he failed to comply with certain terms of his probation. Mr. Kim failed to reimburse the CBA in the amount of \$7,456.80 for its investigation and prosecution costs. Mr. Kim failed to submit written reports during his probation to the CBA and make personal appearances as directed by the CBA. Mr. Kim failed to complete continuing education courses and take and pass an approved ethics examination during his probation as required.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, § 5100 (g). California Code of Regulations, Title 16, Division 1, § 52.

MOON, OSCAR ODELL

Victorville, CA (CPA 27115)

CBA ACTIONS

Revocation of CPA license, via default decision.

Effective December 26, 2012

CAUSE FOR DISCIPLINE

Accusation No. AC-2011-22 contains the following allegations:

Mr. Moon failed to complete and file tax documents for tax years 2006 and 2007 in a timely manner for one of his clients, and failed to make timely response to inquiries about filed and unfiled documents for the same client. Mr. Moon

REVOCATION OF CPA CERTIFICATE THROUGH DECEMBER 26, 2012 (CONTINUED)

MOON, OSCAR ODELL *Continued*

received multiple tax notices regarding the suspension/forfeiture and levy against his client's corporation and he made no timely responses to these notices.

On a separate corporate client Mr. Moon failed to timely prepare documentation for dissolution of the corporation and failed to properly complete and file tax documents for the tax year 2007. After the CBA initiated its investigation, Mr. Moon agreed to prepare the documentation necessary to dissolve the corporation. However, he prepared the forms incorrectly and did not file the forms with the correct agency.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, § 5100 (c).

SOLOTKY, DAVID CHARLES

San Leandro, CA (CPA 59554)

CBA ACTIONS

Revocation of CPA license, via default decision.

Effective December 26, 2012

CAUSE FOR DISCIPLINE

Accusation No. AC-2012-25 contains the following allegations:

Mr. Solotky is subject to disciplinary action for failing to properly file tax return extensions for a partnership and S corporation which resulted in the returns being filed late and in IRS penalties being assessed for the taxpayer. Mr. Solotky breached his fiduciary responsibility as the Independent Special Trustee for two Qualified Subchapter "S" Trusts by failing to provide requested accounting and bank account information held by the two trusts. Mr. Solotky failed to respond to the CBA's multiple inquiries and subsequent subpoena regarding tax return preparation and trust administration. Mr. Solotky failed to provide client files and documentation upon requests from his clients. Mr. Solotky disclosed confidential information, as follows: CBA staff visited Mr. Solotky's office on October 21, 2011 and observed client paperwork exposed to anyone that might look through the office windows. Client names, Social Security numbers and addresses were visible.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§ 5100(c), (i), and (g), 5037(b) and 5063.3(a). Probate Code §§ 16060 and 16062(a). California Code of Regulations, Title 16, Division 1, §§ 52, 54.1 and 68.

WILSON, LINDA JEAN

Marina del Rey, CA (CPA 35978)

CBA ACTIONS

Revocation of CPA license, via stipulated settlement.

Effective October 27, 2012

CAUSE FOR DISCIPLINE

Ms. Wilson admits the truth of each and every charge and allegation in Accusation No. AC-2010-23.

Ms. Wilson is subject to disciplinary action on the grounds that Ms. Wilson was convicted in 2009, in federal criminal proceedings in U.S. District Court, of making a false statement to a Medicare provider, and willfully subscribing a false tax return, both felonies. The facts giving rise to those crimes occurred in 2003 and 2005. In 2003, Ms. Wilson made a false, fraudulent and material misrepresentation of fact with respect to information required to be disclosed by a provider of services reimbursable by Medicare. Ms. Wilson falsely declared that she was the only person with an ownership and control interest of 5 percent or greater in a Medicare Part B provider company when, in truth, there were two other individuals with one-third ownership each in partnership with her in the company. In 2005, Ms. Wilson falsified a 2004 U.S. Income Tax Return, Form 1120S, for the tax year 2004. Ms. Wilson was sentenced to five years' probation and was ordered to pay fines and restitution in the amount of \$290,927.

Ms. Wilson is also subject to disciplinary action on the grounds that Ms. Wilson prepared and submitted false, fraudulent or misleading information to the IRS in the 2004 return.

VIOLATION(S) CHARGED

Business and Professions Code, Division 1.5, Chapter 3, § 490; Division 3, Chapter 1, §§ 5100 (a), (j) and 5106.

REVOCATION OF CPA CERTIFICATE THROUGH DECEMBER 26, 2012 (CONTINUED)

ZINN, WENDY JOANNE and ZINN & ASSOCIATES

Newhall, CA (CPA 64931, FNP 1102)

CBA ACTIONS

Revocation of CPA license, via default decision.

Effective December 26, 2012

CAUSE FOR DISCIPLINE

Accusation No. AC-2012-30 contains the following allegations:

Ms. Zinn failed to complete and file tax documents in a timely manner for two of her clients, and failed to make timely responses to inquiries from the same two clients about filed and unfiled tax documents. For the first clients Ms. Zinn was engaged to represent them in an Internal Revenue Service (IRS) audit of their 2006 tax return, which Ms. Zinn had prepared. The clients provided supporting documents to Ms. Zinn and were later

informed that Ms. Zinn failed to provide the supporting documents to the IRS. The clients requested Ms. Zinn to return their documents multiple times, but Ms. Zinn failed to respond to their requests.

For the second client, Ms. Zinn prepared a 2008 corporate tax return from a trial balance and income statement provided by the client. Ms. Zinn failed to provide the client with adjustments needed to reconcile the trial balance with the tax return. The client also sent a payroll tax notice received for the corporation to Ms. Zinn and Ms. Zinn advised the client she would handle the matter. Ms. Zinn never addressed this issue.

Ms. Zinn also failed to respond to multiple CBA inquiries about complaints filed by three of her clients. Ms. Zinn also failed to respond to a subpoena issued by the CBA.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§ 5037(b)(1-2), 5100(c) and (g), California Code of Regulations, Title 16, Division 1, §§ 52 (a-d) and 68.

OTHER ENFORCEMENT ACTIONS THROUGH DECEMBER 26, 2012

BOYER, RICHARD GENSLEY

Costa Mesa, CA (CPA 17438)

CBA ACTIONS

Revocation stayed with three years' probation, via stipulated settlement.

Mr. Boyer's license is suspended for six months.

Mr. Boyer shall take and complete 24 hours of continuing professional education courses as specified by the CBA and maintain an active license with the CBA during the period of probation.

Mr. Boyer shall reimburse the CBA \$10,143.50 for its investigation and prosecution costs.

Other standard terms of probation.

Effective October 27, 2012

CAUSE FOR DISCIPLINE

Mr. Boyer admits the truth of each and every charge and allegation in Accusation No. AC-2011-8.

On or about April 14, 2006, Mr. Boyer was found guilty on one count of income tax conspiracy, a violation of Title 18, United States Code, Section 371. On or about October 17, 2000, Mr. Boyer caused the preparation and filing of false, federal corporate income tax returns for Aegean Management Services for the years 1997, 1998 and 1999. Mr. Boyer was sentenced to imprisonment with the United States Bureau of Prisons for a term of twelve (12) months and one day and was also ordered to pay a fine in the amount of \$5,000. The crime is substantially related to the qualifications, functions or duties of a licensee.

VIOLATION(S) CHARGED

Business and Professions Code, Division 1.5, Chapter 3, § 490; Division 3, Chapter 1, § 5100 (a).

OTHER ENFORCEMENT ACTIONS THROUGH DECEMBER 26, 2012 (CONTINUED)

HARRISON, MICHAEL ANDREW

Mission Viejo, CA (CPA 19299)

CBA ACTIONS

Revocation stayed with three years' probation, via stipulated settlement.

Mr. Harrison shall reimburse the CBA in the amount of \$4,997 for its investigation and prosecution costs, to be paid within 90 days of the date of the Board's final decision.

Other standard terms of probation.

Effective December 26, 2012

CAUSE FOR DISCIPLINE

Respondent was a shareholder with the firm of Mayer Hoffman McCann, P.C. (MHM), which was the independent auditor for the City of Bell from 2006 to 2010, and he was the firm's engagement shareholder with respect to the independent audit work performed by MHM at all relevant times.

The Accusation alleges as grounds for discipline that respondent committed repeated acts of negligence in the 2009 audit for the City of Bell and the Bell Community Redevelopment Agency that departed from professional standards, including failure to properly perform risk assessments and failure to document performance of certain minimum procedures to comply with compliance testing requirements. The Accusation further alleges that respondent insufficiently documented MHM's audit for the City of Bell and the Bell Community Redevelopment Agency for the year ending June 30, 2009.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§ 5097, 5100(c) and (e).

KENNEALLY, DAVID N.

Rossmoor, CA (CPA 56267)

CBA ACTIONS

Revocation stayed with three years' probation, via stipulated settlement.

Mr. Kenneally's license is suspended for 90 days.

Mr. Kenneally shall reimburse the CBA in the amount of \$5,000 for its investigation and prosecution costs to be made within one year of the effective date of the decision or per an approved payment plan.

Effective December 26, 2012

CAUSES FOR DISCIPLINE

First Amended Accusation No. AC-2011-19 contains the following allegations:

On August 17, 2010, a federal court entered a final judgment in the civil action filed by the Securities and Exchange Commission (SEC) which ordered Mr. Kenneally to pay disgorgement of \$126,676, prejudgment interest of \$23,324, and a civil penalty in the amount of \$32,500. The final judgment further permanently enjoined Mr. Kenneally from future violations of the Exchange Act. On or about September 10, 2010, the SEC issued an order suspending Mr. Kenneally's right to appear or practice before the SEC as an accountant. After three years, Mr. Kenneally may request the SEC to consider reinstatement.

The circumstances surrounding the above referenced judgment and order are: Mr. Kenneally was New Century Financial Corporation's (New Century) controller (July 2005 to March 2007) and assistant controller (July 2003 to July 2005). The SEC's complaint alleged that Mr. Kenneally, among other things, in the second and third quarter of 2006, contrary to Generally Accepted Accounting Principles, implemented changes to New Century's method for estimating its' loan repurchase obligation and failed to ensure that New Century's backlog of pending loan repurchase requests were properly accounted for, resulting in an understatement of New Century's repurchase reserve and a material overstatement of New Century's financial results.

Mr. Kenneally failed to report his discipline by the SEC to the CBA within 30 days of notice thereof.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§ 5063(c), 5100(g), (h) and (l).

OTHER ENFORCEMENT ACTIONS THROUGH DECEMBER 26, 2012 (CONTINUED)

**KLINGENSMITH, RONALD
and K2 Certified Public Accountants**

Escondido, CA (CPA 50448, FNP 2061)

CBA ACTIONS

Surrender of CPA license, via stipulated settlement.

Mr. Klingensmith shall cease practicing as or under the accountancy firm of Ron Klingensmith & Associates, CPAs, Inc, and shall cause to be removed from the Internet its website "Ron Klingensmith & Associates, CPA" as of the effective date of CBA's decision and order.

Mr. Klingensmith fully understands and agrees that as a condition precedent to the restoration of any license to him from the CBA, he shall submit proof to the CBA that he has responded to and produced documents and information within his possession, custody or control as previously requested by the CBA's subpoenas and inquiry letters.

Mr. Klingensmith shall pay the CBA its costs of investigation and enforcement in the amount of \$10,000 within 30 days after the effective date of the decision and order.

If Mr. Klingensmith ever files an application for licensure or a petition for reinstatement with the CBA, the CBA shall treat it as a petition for reinstatement. All of the charges and allegations contained in Accusation No. AC-2010-36 shall be deemed to be true, correct and admitted by Mr. Klingensmith when the CBA determines whether to grant or deny the petition.

Mr. Klingensmith shall pay the CBA its remaining costs of investigation and enforcement of this matter in the amount of \$14,996.64 prior to the issuance of a new or reinstated license.

Effective October 27, 2012

CAUSE FOR DISCIPLINE

Mr. Klingensmith admits the truth of each and every charge and allegation in Accusation No. AC-2010-36.

Mr. Klingensmith is subject to disciplinary action for breach of fiduciary responsibility in administering a charitable remainder trust. Mr. Klingensmith, as the sole trustee of the charitable remainder trust, failed to make two quarterly distributions in 2008, failed to prepare annual accountings, and failed to provide Schedule K-1's to the beneficiaries for 2007 and 2008. Mr. Klingensmith failed to respond to the

CBA's multiple inquiries and subsequent subpoena regarding administration of the charitable remainder trust.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, § 5100 (i) and (g). California Code of Regulations, Title 16, Division 1, § 52 (a) and (b).

LIBMAN, ARNOLD CHARLES

Sierra Madre, CA (CPA 18769)

CBA ACTIONS

Revocation stayed with three years' probation, via stipulated settlement.

Mr. Libman's license is suspended for one year.

Mr. Libman shall complete four hours of continuing education in ethics.

Mr. Libman shall complete and provide proper documentation of 24 hours of professional education courses for license renewal in addition to the required 80 hours and maintain an active license with the CBA.

Mr. Libman shall reimburse the CBA in the amount of \$6,928.80 for its investigation and prosecution costs, which shall be made in quarterly payments with the final payment due one year before probation is scheduled to terminate.

Other standard terms of probation.

Effective October 27, 2012

CAUSES FOR DISCIPLINE

Mr. Libman admits the truth of each and every charge and allegation in Accusation No. AC-2011-18.

On or about October 8, 2009, after pleading guilty, Mr. Libman was convicted of one felony count of violating 26 U.S.C. section 7206(2) [aiding in the preparation and presentation of fraudulent return] in the criminal proceeding entitled United States of America v. Arnold C. Libman (C.D. Cal., 2009, No. CR-09-00008). The Court sentenced Mr. Libman to 18 months in prison, placed him on one year probation, and ordered him to not engage in preparation of income tax returns or financial consultation without express approval of probation.

The circumstances underlying the conviction are that on or about February 9, 2004, Mr. Libman prepared a United States Individual Income Tax Return, Form 1040, that

OTHER ENFORCEMENT ACTIONS THROUGH DECEMBER 26, 2012 (CONTINUED)

LIBMAN, ARNOLD CHARLES *Continued*

was false and fraudulent as to a material matter and was submitted to the Internal Revenue Service for an individual. Specifically, as a result of the false expenses on the tax return that Mr. Libman prepared, the return falsely reported a tax liability of \$4,108. Without the false expense, the reported (and true) tax liability would have been \$10,379.

Mr. Libman also failed to notify the CBA within 30 days of his criminal conviction as required.

VIOLATION(S) CHARGED

Business and Professions Code, Division 1.5, Chapter 3, § 490; Division 3, Chapter 1, §§ 5100 (a), (c), (g), (j), and 5063. California Code of Regulations, Title 16, Division 1, § 99.

NAKAO, JENNIFER

Murray, UT (CPA 82141)

CBA ACTIONS

Revocation stayed with three years' probation, via stipulated settlement.

Prior to accepting an engagement to issue any financial statement to a California entity, Ms. Nakao shall submit to the CBA or its designee for its prior approval a plan of practice that shall be monitored by another CPA or PA who provides periodic reports to the CBA or its designee about any financial statement reports issued by Ms. Nakao to any California entity. Ms. Nakao shall pay all costs for such monitoring.

Ms. Nakao shall at all times maintain an active license status with the CBA.

Ms. Nakao shall reimburse the CBA \$6,561.31 for its investigation and prosecution costs.

Other standard terms of probation.

Effective October 27, 2012

CAUSE FOR DISCIPLINE

Ms. Nakao understands and agrees that the charges and allegations in Accusation No. AC-2012-19, if proven at a hearing, constitute cause for imposing discipline.

Accusation No. AC-2012-19 contains the following allegations:

On or about February 17, 2010, the Public Company Accounting Oversight Board (PCAOB) entered an Order Making Findings and Imposing Sanctions against Ms. Nakao, barring her from being an associated person of a registered public accounting firm for a period of one year. Ms. Nakao consented to entry of the Order without admitting or denying the findings therein.

The circumstances underlying the discipline are that Ms. Nakao was an associated person of the registered public accounting firm of Grant Thornton, LLP. In February 2002, Grant Thornton, LLP became the independent auditor for iMergent, Inc. Ms. Nakao began working on the iMergent audit from 2002-2003 as the engagement senior. She was promoted in 2003 and from 2004-2005, worked as the manager on the iMergent engagement. She remained a member of the iMergent engagement team until Grant Thornton, LLP was terminated as the company's independent auditor in October 2005.

In the Order, the PCAOB found that Ms. Nakao violated certain PCAOB auditing standards in regard to auditing the financial statements of iMergent, Inc. for the year 2004, while Ms. Nakao was the manager of the iMergent engagement. Ms. Nakao 1) failed to ensure that the engagement team sufficiently tested management's representations of its historical collection experience for Extended Payment Term Arrangements (EPTA) sales; 2) failed to ensure sufficient procedures were performed to test or assess the reasonableness of certain EPTA collection rates disclosed by iMergent in the footnotes to its Fiscal Year 2004 financial statements and its filings with the Securities and Exchange Commission; and 3) failed to ensure the performance of sufficient procedures to assess the reasonableness of the June 30, 2004 allowance for doubtful accounts balance. The PCAOB found that most of iMergent's 2004 revenue came from sales of software licenses to customers who were given 24-month EPTAs.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, § 5100 (h) and (l).

OTHER ENFORCEMENT ACTIONS THROUGH DECEMBER 26, 2012 (CONTINUED)

PASSERO, ROBERT MICHAEL

Seal Beach, CA (CPA 16608)

CBA ACTIONS

Revocation stayed with three years' probation, via stipulated settlement.

Mr. Passero's license is suspended for 12 months.

During and after completion of probation, Mr. Passero shall be permanently prohibited from engaging in and performing any attestation services, including audits. This condition continues until such time, if ever, Mr. Passero successfully petitions the CBA for the reinstatement of his ability to perform attestation services.

Mr. Passero shall pay to the CBA an administrative penalty in the amount of \$2,000.

Mr. Passero shall complete 24 hours of professional education courses as specified by the CBA in addition to continuing education requirements for relicensing.

Mr. Passero shall reimburse the CBA \$13,141.43 for its investigation and prosecution costs.

Mr. Passero shall maintain an active license status with the CBA, including during any period of suspension.

Other standard terms of probation.

Effective October 27, 2012

CAUSE FOR DISCIPLINE

Mr. Passero admits the truth of each and every charge and allegation in Accusation No. AC-2012-27.

Mr. Passero was grossly negligent and committed repeated negligent acts in an audit he performed for Quarter Horse Racing, Inc and Subsidiaries for the year ended December 31, 2008. Mr. Passero's audit workpapers failed to contain numerous necessary elements required of an audit engagement including a management representation letter, inquiry of the client's lawyer, audit planning and procedures, and sufficient details to provide a clear understanding of the work performed and conclusions reached. Mr. Passero also failed to comply with the CBA's requirements in making additions to his audit documentation after the audit report had already been issued to the client.

Mr. Passero also lacked independence in performing the audit since he was the Chief Financial Officer for Quarter Horse Racing, Inc and Subsidiaries during 2008 (until December 13, 2008). Mr. Passero also practiced public accountancy under the unregistered name of "Robert M. Passero, C.P.A., An Accountancy Corporation."

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§ 5060, 5097, 5100 (c), (e) and (g). California Code of Regulations, Title 16, Division 1, §§ 58, 65, and 68.4.

ROBINSON, EDWARD A.

Fremont, CA (CPA 23322)

CBA ACTIONS

Revocation stayed with five years' probation, via stipulated settlement.

Mr. Robinson's license is suspended for 30 days.

Mr. Robinson shall complete four hours of continuing education in ethics within 90 days of the effective date of the CBA's decision.

Mr. Robinson shall reimburse the CBA in the amount of \$2,500 for its investigation and prosecution costs within 120 days of the date of the CBA's final decision.

Mr. Robinson shall successfully complete or shall have successfully completed a rehabilitation program for chemical dependence which the CBA or its designee approves and shall have reports submitted by the program.

Mr. Robinson shall completely abstain from the personal use of all psychotropic drugs, including alcohol, in any form except when the same are lawfully prescribed.

Mr. Robinson shall when requested submit to such tests and samples as the CBA or its designee may require for the detection of alcohol, narcotics, hypnotic, dangerous drugs or controlled substances. Mr. Robinson is responsible for all costs associated with this investigation and testing.

Mr. Robinson shall at all times maintain an active license status, including during any period of suspension.

Other standard terms of probation.

Effective October 27, 2012

OTHER ENFORCEMENT ACTIONS THROUGH DECEMBER 26, 2012 (CONTINUED)

ROBINSON, EDWARD *Continued*

CAUSE FOR DISCIPLINE

Mr. Robinson admits the truth of each and every charge and allegation in Accusation No. AC-2012-23.

Mr. Robinson was convicted of a crime that is substantially related to his qualifications, functions and duties as an accountant. On June 22, 2011 Mr. Robinson was charged with transporting and possessing 57 grams of methamphetamine for sale. Mr. Robinson subsequently pleaded nolo contendere and was convicted of violating Health and Safety Code Section 11377- Possession of a Controlled Substance, a felony.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, § 5100 (a). California Code of Regulations, Title 16, Division 1, § 99.

SALAMON, JAY A.

San Diego, CA (CPA 80244)

CBA ACTIONS

Surrender of CPA license, via stipulated settlement.

Mr. Salamon shall pay the CBA \$4,483.58 for its investigation and prosecution costs within ten months after the effective date of the decision and order.

Effective December 26, 2012

CAUSE FOR DISCIPLINE

Accusation No. AC-2012-39 contains the following allegations:

On or about June 22, 2010, Mr. Salamon pled guilty in a federal court to aiding and abetting wire fraud, a felony. On or about July 7, 2010, the U.S. District Court accepted Mr. Salamon's guilty plea and he was convicted thereon. On or about October 17, 2011, as a result of the conviction, Mr. Salamon was sentenced by the U.S. District Court to federal prison for ten months, and ordered to pay \$287,719.27 in restitution. The U.S. District Court further ordered that following release from prison, Mr. Salamon was to be placed on supervised release for three years.

The circumstances that led to the conviction are: Creative Financial Solutions, Inc. (Creative Financial) was a mortgage

brokerage that utilized Mr. Salamon to verify employment for individual borrowers. As part of the mortgage fraud scheme, Creative Financial obtained mortgage loans for unqualified and/or unknowing borrowers by submitting fraudulent mortgage loan applications. Creative Financial employees placed fraudulent CPA letters signed by Mr. Salamon in some of the loan applications stating that Mr. Salamon had prepared income tax returns for the borrower and that the borrower was self-employed. These letters were untrue and were prepared by Mr. Salamon in exchange for approximately \$100 each.

VIOLATION(S) CHARGED

Business and Professions Code, Division 1.5, Chapter 3, § 490; Division 3, Chapter 1, § 5100(a) and (j).

STULAC, DANIEL F.

Racine, WI (CPA 77311)

CBA ACTIONS

Surrender of license, via stipulated settlement.

Mr. Stulac shall pay the CBA \$4,500 for its investigation and prosecution costs prior to the issuance of a new or reinstated license.

Effective December 26, 2012

CAUSE FOR DISCIPLINE

Accusation No. AC-2011-16 contains the following allegations:

On September 14, 2009, a final judgment was entered against Mr. Stulac in a civil action filed by the Securities and Exchange Commission (SEC), permanently enjoining him from future violations of the Exchange Act. On or about September 18, 2009, the SEC issued an order suspending Mr. Stulac's right to appear or practice before the SEC.

The SEC order stated that Mr. Stulac became a partner at Arthur Anderson in September 2000 and was the engagement partner of the audit of Peregrine Systems, Inc. (Peregrine), from September 2000 to September 2001. The SEC's complaint alleged that Peregrine improperly recorded millions of dollars of revenue based on non-binding arrangements with resellers. The SEC's complaint further alleged that Peregrine improperly wrote off unpaid receivables by falsely characterizing the write-offs as

OTHER ENFORCEMENT ACTIONS THROUGH DECEMBER 26, 2012 (CONTINUED)

STULAC, DANIEL F. *Continued*

“acquisition costs and other.” The SEC’s complaint alleged that Mr. Stulac, knew, or was reckless in not knowing, that the receivables were unrelated to acquisitions and should not have been recorded as “acquisition costs and other.” The SEC’s complaint further alleged that Mr. Stulac knew, or was reckless in not knowing, that Peregrine’s 2001 financial statements improperly recognized millions of dollars of revenue from agreements with resellers.

Mr. Stulac failed to report his discipline by the SEC to the CBA within 30 days of notice thereof.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§ 5063(a)(3), 5100(g), (h) and (l).

VLCEK, MARTHA W.

Henderson, NV (CPA 63080)

CBA ACTIONS

Revocation stayed with five years’ probation (to run concurrently with the suspension), via stipulated settlement.

Ms. Vlcek’s license is suspended for three years.

Ms. Vlcek shall complete four hours of continuing education in ethics within 100 days prior to termination of probation.

Ms. Vlcek shall reimburse the CBA in the amount of \$4,179.66 for its investigation and prosecution costs, to be made within 60 days from the effective date of the decision.

Other standard terms of probation.

Effective December 26, 2012

CAUSE FOR DISCIPLINE

First Amended Accusation No. AC-2012-50 contains the following allegations:

In November 2011, the Securities and Exchange Commission, in the case entitled In the Matter of Martha W. Vlcek, CPA, Administrative Proceeding File No. 3-14625, entered an “Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice” suspending Ms. Vlcek from appearing

or practicing before the Commission. The ground of suspension was and is that in Securities and Exchange Commission, plaintiff, v. Steven M. Des Champs and Martha W. Vlcek, defendants, United States District Court, District of Nevada, Case No. 2:08-cv-01279-KJD-GWF, a “Final Judgment of Permanent Injunction and Other Relief as to Defendant Martha W. Vlcek” was entered permanently enjoining her, among other things, from further violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933, and Section 13(a) of the Securities Exchange Act of 1934. The Final Judgment of Permanent Injunction arose from Ms. Vlcek’s employment as an accountant of Bally Technologies, Inc. Ms. Vlcek was also ordered to disgorge \$10,849.00 representing profits gained as a result of Ms. Vlcek’s wrongful conduct. Ms. Vlcek was also assessed a civil penalty of \$30,000.00 and prejudgment interest of \$3,509.00.

The Securities and Exchange Commission alleged, among other things, that from the fourth quarter of fiscal year 2003 through the second quarter of fiscal year 2004, Ms. Vlcek fraudulently recognized revenue on bill and hold transactions, made misleading disclosures and omissions regarding revenue recognition, and made materially false statements to Bally Technologies’ outside auditors when she represented the transactions were proper under Generally Accepted Accounting Principles.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, § 5100(h) and (l).



UPDATE

CALIFORNIA BOARD OF ACCOUNTANCY DIRECTORY

www.cba.ca.gov

The CBA is committed to providing the highest level of customer service, and staff are here to help answer questions you may have regarding our programs. We strive to answer all incoming calls live, but during peak periods you may get a voicemail instead of a live person. If you leave us a

voice mail message, staff will make every effort to return your call within one business day or, if you prefer to contact us via e-mail, all e-mail messages are returned on average within three business days. For your convenience, we have provided contact information below for the different organizational units and functions at the CBA.

CBA UNIT	AREAS OF EXPERTISE	CONTACT INFORMATION
Administration	<ul style="list-style-type: none"> = License Status Check = General Questions 	(916) 263-3680 www.dca.ca.gov/cba/lookup.shtml
Examination	<ul style="list-style-type: none"> = Examination applications = Educational requirements = Exam Scores = Name Changes (Exam Candidates) = Transcripts 	(916) 561-1703 (916) 263-3677 Fax examinfo@cba.ca.gov
Initial Licensing <i>(Individuals)</i>	<ul style="list-style-type: none"> = Licensing application process for individual licenses = Name Changes (CPAs and Licensing Applicants) = Wall/Pocket Certificate Replacement = Certification of Records 	(916) 561-1701 (916) 263-3676 Fax licensinginfo@cba.ca.gov
Initial Licensing <i>(Firms, Partnerships, Fictitious Names)</i>	<ul style="list-style-type: none"> = Licensing application for partnerships, corporations and fictitious name permits 	(916) 561-4301 (916) 263-3676 Fax firminfo@cba.ca.gov
License Renewal	<ul style="list-style-type: none"> = Name Change = License renewal, continuing education requirements = Changing license status = Fees due 	(916) 561-1702 (916) 263-3672 Fax renewalinfo@cba.ca.gov
Practice Privilege	<ul style="list-style-type: none"> = Out-of-state licensees wishing to practice in CA = Account log-in information 	(916) 561-1704 (916) 263-3675 Fax pracprivinfo@cba.ca.gov
Enforcement	<ul style="list-style-type: none"> = Filing a complaint = Disciplinary actions = Ethical questions regarding CPA practice 	(916) 561-1729 (916) 263-3673 Fax enforcementinfo@cba.ca.gov To access a complaint form, go to www.dca.ca.gov/cba/consumers/complain.shtml
Peer Review		(916) 561-1706 peerreviewinfo@cba.ca.gov

We are always looking for ways to improve our customer service practices.

Please let us know how we served you by taking our online Customer Satisfaction Survey at <https://www.cba.ca.gov/forms/survey>.

If you are unsure where to direct your questions, please contact our main phone number at **(916) 263-3680**.

ADDRESS CHANGE FORM

A separate address change notice must be submitted for each license type.

PLEASE PRINT

Name of Applicant for Licensure

Last	First	Middle

Name of Licensee

Individual (CPA/PA) - License No. _____

Last	First	Middle

Name of Firm

Corporation Partnership Fictitious Name

License No. _____

Firm Name

NEW Address of Record *(An Address of Record is Required)*

Home Business (check one)

Be advised that if you are a licensed CPA/PA or firm, your address of record is public information, and all CBA correspondence will be sent to this address.

Business Name (if different from name above)

Street	<input type="radio"/> Apt. # <input type="radio"/> Suite # (check one)

City	State	Zip

Former Address of Record

Street	<input type="radio"/> Apt. # <input type="radio"/> Suite # (check one)

City	State	Zip

Alternate Address for Mail Drops and PO Boxes

If your address of record is a PO Box or Mail Drop, you are required to provide a street address. This address will not be posted on the CBA's Web License Lookup.

Street	<input type="radio"/> Home <input type="radio"/> Business (check one) <input type="radio"/> Apt. # <input type="radio"/> Suite # (check one)

City	State	Zip

Daytime Phone Number

-	-			
Area Code				

You may confirm your change of address on License Lookup at www.cba.ca.gov.

I certify the truth and accuracy of all of these statements and representations.

Signature _____ Date _____

Print your name _____

A licensee who fails to notify the California Board of Accountancy within 30 days of a change of address of record may be subject to citation and fine (fines ranging from \$100-\$1000) under the California Code of Regulations, Title 16, Division 1, Sections 3, 95 and 95.2.

The CBA maintains a list of all licensees. This list is sold to requestors for mailing list purposes. Check here only if you do not want your name included on this list. *Please Note: Your name and address of record is public information and can be accessed through our website at www.cba.ca.gov.*

This form is being provided for your convenience. Other forms of written notice may be accepted by the CBA.

MAIL TO: California Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832 or **FAX TO:** (916) 263-3675

ADDRESS SERVICE REQUESTED



UPDATE

WINTER 2013

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You can sign up for *E-News* and be notified by e-mail when the newest edition of *UPDATE* is available. Please visit www.cba.ca.gov.

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